EXERCISES IN ACCOUNTING

(Intermediate)

CHARLES F. RITTENHOUSE, B. C. S., C. P. A.

AND

PHILIP F. CLAPP, B.C.S., C.P.A.

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ASSOCIATION PRESS

347 Madison Avenue, New York

1918

INDEX

MODEL EXERCISE B.

John G. Clarke

Trial Balance — December 31, 1916

Cash	$ 5,627.00	
Accounts Receivable	229,296.00	
Notes Receivable	22,600.00	
Inventory December 31, 1915 (cost)	215,275.00	
Accrued Interest on Notes Receivable	654.00	
Real Estate (book value)	161,540.00	
Store Fixtures (book value)	19,416.00	
Office Furniture and Fixtures (book value)	2,760.00	
Prepaid Interest on Discounted Notes	1,350.00	
Catalogs and Advertising Matter on Hand	956.00	
Prepaid Taxes	897.00	
Prepaid Insurance	175.00	
Accounts Payable		$89,264.00
Notes Payable		50,000.00
Mortgage Payable		70,000.00
Accrued Interest on Notes Payable		560.00
Accrued Interest on Mortgage Payable		700.00
John G. Clarke, Capital Account		370,000.00
John G. Clarke, Drawings Account	15,677.00	
Gross Sales		802,071.00
Sales Returns and Allowances	17,200.00	
Gross Purchases	599,025.00	
Purchase Returns and Allowances		8,672.00
Freight and Hauling Inward	4,130.00	
Advertising	19,607.00	
Store Clerks' Salaries	20,460.00	
Traveling Salesmen's Salaries	18,643.00	
Traveling Expenses	13,721.00	
Store Supplies Used	1,416.00	
Freight and Hauling Outward	2,160.00	
Office Clerks' Salaries	7,482.00	
Office Expenses	1,786.00	
Maintenance of Real Estate	14,682.00	
Income from Rental of Upper Floors		11,627.00
Interest on Notes Receivable		1,287.00
Interest on Bank Balances		96.00
Cash Discounts on Purchases		4,893.00
Interest on Notes Payable	5,740.00	
Interest on Mortgage Payable	4,200.00	
Cash Discounts on Sales	2,695.00	
	$1,409,170.00	$1,409,170.00

Inventory December 31, 1916 (cost) $176,482.00

REQUIRED:

a. Profit and Loss Statement
b. Balance Sheet
c. Closing Entries (posted to the ledger)
d. Skeleton Ledger Accounts (properly closed)
e. Trial Balance after Closing

COMMENTS:

Mr. Clarke conducts a wholesale jobbing business. He owns a six-story building, using the basement and first two floors for his business and renting the upper floors.

"Maintenance of Real Estate" includes taxes, insurance, repairs to building, depreciation, heat and light, janitor and helpers, etc.

Freight and hauling inward on merchandise purchases is considered a part of the cost of goods purchased, and the proper portion thereof is included in the cost of goods on hand, both at the beginning and at the end of the year.

This trial balance was taken after all necessary adjusting entries had been made and posted.

Model Ex. B.

John G. Clarke

Profit and Loss Statement—One Year Ending December 31, 1916.

Gross Sales		802071 00	
Less-Returns and Allowances		17200 00	
Net Sales			784871 00
Deduct-Cost of Goods Sold:			
Inventory December 31, 1915	$ 215,275 00		
Gross Purchases $ 599,025.00			
Less-Returns and			
Allowances 8,672.00			
Net Purchases	590,353.00		
Freight and Hauling Inward	4,130.00	809758 00	
Less-Inventory December 31, 1916		176482 00	633276 00
Gross Profit on Sales			151595 00
Deduct-Operating Expenses:			
Selling Expenses:			
Advertising	$ 19,607.00		
Store Clerks' Salaries	20,460.00		
Traveling Salesmens' Salaries	18,643 00		
Traveling Expenses	13,721.00		
Store Supplies Used	1,416.00		
Freight and Hauling Outward	2,160.00	76007 00	
Administrative Expenses:			
Office Clerks' Salaries	$ 7,482.00		
Office Expenses	1,786 00		
Maintenance of Real Estate $14,682.00			
Less-Income from			
Rental of Upper Floors 11,627.00	3,055.00	12323 00	88330 00
Net Trading Profit			63265 00
Add-Other Income.			
Interest on Notes Receivable		1287 00	
Interest on Bank Balances		96 00	
Cash Discounts on Purchases		4893 00	6276 00
Total Income			69541 00
Deduct-Other Charges			
Interest on Notes Payable		5740 00	
Interest on Mortgage Payable		4200 00	
Cash Discounts on Sales		2695 00	12635 00
Net Profit for the Year			56906 00

Model Ex. B.

John G. Clarke

Balance Sheet – December 31, 1916.

Assets			
Current Assets:			
Cash		5627.00	
Accounts Receivable		229296.00	
Notes Receivable		22600.00	
Merchandise on Hand (cost)		176482.00	
Accrued Items:			
Interest on Notes Receivable		654.00	
Total Current Assets.			434659.00
Fixed Assets:			
Real Estate (book value)		161540.00	
Store Fixtures (book value)		19416.00	
Office Furniture and Fixtures (book value)		2760.00	
Total Fixed Assets			183716.00
Deferred Charges to Profit and Loss:			
Catalogs and Advertising Matter on Hand		956.00	
Prepaid Interest on Discounted Notes		1350.00	
Prepaid Taxes		897.00	
Prepaid Insurance		175.00	
Total Deferred Charges			3378.00
Total			621753.00
Liabilities			
Current Liabilities:			
Accounts Payable		89264.00	
Notes Payable		50000.00	
Accrued Items:			
Interest on Notes Payable	$ 560.00		
Interest on Mortgage Payable	700.00	1260.00	
Total Current Liabilities			140524.00
Fixed Liabilities:			
Mortgage Payable			70000.00
John G. Clarke's Net Worth:			
Investment December 31, 1915		370000.00	
Add – Net Profit for the Year per Profit and Loss Statement	$ 56,906.00		
Less – Drawings for the Year	15,677.00	41229.00	
Total Net Worth			411229.00
Total			621753.00

Model Ex. B

John G. Clarke

Closing Entries-December 31, 1916.

2	Gross Sales	1720 00	
3	To Sales Returns and Allowances		1720 00
	To close the sales returns and allowances for the year into the Sales account.		
	31		
3	Purchase Returns and Allowances	8672 00	
3	To Gross Purchases		8672 00
	To close the purchase returns and allowances for the year into the Purchases account		
	31		
3	Gross Purchases	4130 00	
3	To Freight and Hauling Inward		4130 00
	To close the cost of freight and hauling inward on Merchandise purchases for the year into the Purchases account		
	31		
3	Gross Purchases	215275 00	
1	To Inventory		215275 00
	Cost of goods on hand 12/31/15		
	31		
1	Inventory	176482 00	
3	To Gross Purchases		176482 00
	Cost of goods on hand 12/31/16.		
	31		
2	Gross Sales	633276 00	
3	To Gross Purchases		633276 00
	To close the cost of goods sold during the year into the Gross Sales account:		

Inventory 12/31/15		$ 215,275.00
Gross purchases	$599,025.00	
Less-returns and allowances	8,672.00	
Net Purchases		590,353.00
Freight and hauling inward		4,130.00
		$ 809,758.00
Less:		
Inventory 12/31/16		176,482.00
		$ 633,276.00

2	Gross Sales	151595 00	
4	To Profit and Loss		151595 00
	To close the gross profit on sales for the year into Profit and Loss account:		
	Gross sales $802,071.00		
	Less—returns and allowances 17,200.00		
	Net sales $784,871.00		
	Deduct—cost of goods sold 633,276.00		
	$151,595.00		
	31		
4	Interest on Notes Receivable	1287 00	
4	Interest on Bank Balances	96 00	
4	Cash Discounts on Purchases	4893 00	
4	To Profit and Loss		6276 00
	To close the accounts representing items of extraneous income for the year into Profit and Loss account.		
	31		
4	Income from Rental of Upper Floors	11627 00	
4	To Maintenance of Real Estate		11627 00
	To transfer the income received from rental of the upper floors to the Maintenance of Real Estate account, in order that this account may show by its balance the cost to the business of occupying the basement and first two floors.		
	31		
4	Profit and Loss	88330 00	
3	To Advertising		19607 00
3	Store Clerks' Salaries		20460 00
3	Traveling Salesmen's Salaries		18643 00
3	Traveling Expenses		13721 00
3	Store Supplies Used		1416 00
3	Freight and Hauling Outward		2160 00
3	Office Clerks' Salaries		7482 00
4	Office Expenses		1786 00
4	Maintenance of Real Estate		3055 00
	To close the accounts representing the operating expenses for the year into Profit and Loss account		

Closing Entries—December 31, 1916 (continued)

4	Profit and Loss	12635 00	
4	To Interest on Notes Payable		5740 00
4	Interest on Mortgage Payable		4200 00
4	Cash Discount on Sales		2695 00
	To close the accounts representing items of extraneous expense for the year into Profit and Loss account.		
	31		
4	Profit and Loss	56906 00	
2	To John G. Clarke, Drawings Account		56906 00
	To transfer the net profit for the year to John G. Clarke's Drawings Account.		
	31		
2	John G. Clarke, Drawings Account	41229 00	
2	To John G. Clarke, Capital Account		41229 00
	To transfer to John G. Clarke's Capital Account the credit balance of his drawings account, being the net addition for the year to his capital investment.		

Trial Balance after Closing—December 31, 1916

Debits	Credits
\$ 5,627.00	\$ 89,264.00
229,296.00	50,000.00
22,600.00	70,000.00
176,482.00	560.00
654.00	700.00
161,540.00	411,229.00
19,416.00	
2,760.00	
1,350.00	
956.00	
897.00	
175.00	
\$621,753.00	\$ 621,753.00

Model Ex. B.

General Ledger Accounts.

Cash

1916 Dec.	31	Balance		5627 00					

Accounts Receivable

1916 Dec.	31	Balance		229296 00					

Notes Receivable

1916 Dec.	31	Balance		22600 00					

Inventory

1915 Dec	31	On hand		215275 00	1916 Dec	31	Gross Pur.	J 1	215275 00
1916 Dec.	31	On hand	J 1	176482 00					

Accrued Interest on Notes Receivable

1916 Dec.	31	Balance		654 00					

Real Estate

1916 Dec.	31	Balance		16154 00					

Store Fixtures

1916 Dec.	31	Balance		1416 00					

Office Furniture and Fixtures

1916 Dec	31	Balance		2760 00					

Prepaid Interest on Discounted Notes

1916 Dec.	31	Balance		1350 00					

Catalogs and Advertising Matter on Hand

1916 Dec.	31	Balance		956 00					

Prepaid Taxes

1916 Dec	31	Balance		897 00					

Prepaid Insurance

Date		Item	F	Debit	Date		Item	F	Credit
1916 Dec.	31	Balance		175 00					

Accounts Payable

Date		Item	F	Debit	Date		Item	F	Credit
					1916 Dec.	31	Balance		$9264 00

Notes Payable

Date		Item	F	Debit	Date		Item	F	Credit
					1916 Dec.	31	Balance		50000 00

Mortgage Payable

Date		Item	F	Debit	Date		Item	F	Credit
					1916 Dec.	31	Balance		70000 00

Accrued Interest on Notes Payable

Date		Item	F	Debit	Date		Item	F	Credit
					1916 Dec.	31	Balance		560 00

Accrued Interest on Mortgage Payable

Date		Item	F	Debit	Date		Item	F	Credit
					1916 Dec.	31	Balance		700 00

John G. Clarke, Capital Account

Date		Item	F	Debit	Date		Item	F	Credit
1916 Dec	31	Net Worth (red)		411229 00	1916 Dec	31	Balance		370000 00
						31	Increase in Net Worth	J 3	41229 00
				411229 00					411229 00
					1916 Dec	31	Net Worth		411229 00

John G. Clarke, Drawings Account

Date		Item	F	Debit	Date		Item	F	Credit
1916 Dec.	31	Balance		15677 00	1916 Dec.	31	Net Profit for year.	J 3	56906 00
	31	J. G. C. Capital	J 3	41229 00					
				56906 00					56906 00

Gross Sales

Date		Item	F	Debit	Date		Item	F	Credit
1916 Dec.	31	Returns & allow.	J 1	17200 00	1916 Dec.	31	Balance		802071 00
	31	Cost of sales	J 1	633276 00					
	31	Gro. profit on sales	J 2	151595 00					
				802071 00					802071 00

Sales Returns and Allowances

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		17200 00	1916 Dec.	31	To Gross Sales J	1	17200 00

Gross Purchases

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		599025 00	1916 Dec.	31	Returns & allow. J	1	8672 00
	31	Frt. & hauling in. J	1	4130 00		31	Inventory 12/31/16 J	1	176482 00
	31	Inventory 12/31/15 J	1	215275 00		31	To Gross Sales J	1	633276 00
				818430 00					818430 00

Purchase Returns and Allowances

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	To Gross Purchases J	1	8672 00	1916 Dec.	31	Balance		8672 00

Freight and Hauling Inward

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		4130 00	1916 Dec.	31	To Gross Purchases J	1	4130 00

Advertising

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		19607 00	1916 Dec.	31	To Profit & Loss J	2	19607 00

Store Clerks' Salaries

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		20460 00	1916 Dec.	31	To Profit & Loss J	2	20460 00

Traveling Salesmens' Salaries

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		18643 00	1916 Dec.	31	To Profit & Loss J	2	18643 00

Traveling Expenses

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		13721 00	1916 Dec.	31	To Profit & Loss J	2	13721 00

Store Supplies Used

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		1416 00	1916 Dec.	31	To Profit & Loss J	2	1416 00

Freight and Hauling Outward

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		2160 00	1916 Dec.	31	To Profit & Loss J	2	2160 00

Office Clerks' Salaries

Date		Item	Fol.	Amount	Date		Item	Fol.	Amount
1916 Dec.	31	Balance		7482 00	1916 Dec.	31	To Profit & Loss J	2	7482 00

Office Expenses

1916 Dec.	31	Balance		1786	00	1916 Dec.	31	To Profit & Loss J	2	1786 00

Maintenance of Real Estate

1916 Dec.	31	Balance		14682	00	1916 Dec.	31	Rent income J	2	11627 00
							31	To Profit & Loss J	2	3055 00
				14682	00					14682 00

Income from Rental of Upper Floors

1916 Dec.	31	To Maint of R.E J	2	11627	00	1916 Dec.	31	Balance		11627 00

Interest on Notes Receivable

1916 Dec.	31	To Profit & Loss J	2	1287	00	1916 Dec.	31	Balance		1287 00

Interest on Bank Balances

1916 Dec.	31	To Profit & Loss J	2	96	00	1916 Dec.	31	Balance		96 00

Cash Discount on Purchases

1916 Dec.	31	To Profit & Loss J	2	4893	00	1916 Dec.	31	Balance		4893 00

Interest on Notes Payable

1916 Dec.	31	Balance		5740	00	1916 Dec.	31	To Profit & Loss J	3	5740 00

Interest on Mortgage Payable

1916 Dec.	31	Balance		4200	00	1916 Dec.	31	To Profit & Loss J	3	4200 00

Cash Discount on Sales

1916 Dec.	31	Balance		2695	00	1916 Dec.	31	To Profit & Loss J	3	2695 00

Profit and Loss

1916 Dec.	31	Opertg expenses J	2	88330	00	1916 Dec.	31	Gro profit on sales J	2	151595 00
	31	Other expenses J	3	12635	00		31	Other income J	2	6276 00
	31	To J G C. Drawings J	3	56906	00					
				157871	00					157871 00

MODEL EXERCISE C.

Hall and Marvin

Trial Balance — June 30, 1916

Land (cost)	$55,000.00	
Building (cost)	37,500.00	
Furniture and Fixtures (cost)	5,820.00	
Cash	7,682.53	
Accounts Receivable	23,731.40	
Notes Receivable	730.00	
Inventory December 31, 1915 (cost)	24,260.75	
Mortgage Payable		$35,000.00
Accounts Payable		9,840.62
Notes Payable		5,000.00
C. R. Marvin, Salary Account		250.00
Reserve for Depreciation of Building		7,500.00
Reserve for Depreciation of Furniture and Fixtures		1,750.00
Reserve for Loss on Bad Accounts and Notes Receivable		169.80
H. B. Hall, Capital		60,000.00
H. B. Hall, Drawings	1,869.00	
C. R. Marvin, Capital		30,000.00
C. R. Marvin, Drawings	4,705.00	
Sales		82,687.19
Purchases	53,321.60	
Freight, Express, and Cartage Inward	1,924.34	
Traveling Expenses	2,107.40	
Salaries and Wages	9,369.72	
Delivery Expenses	1,290.81	
Office Expenses	1,587.10	
Insurance	435.00	
Interest on Notes Receivable		136.24
Interest on Notes Payable	238.90	
Interest on Mortgage Payable	875.00	
Cash Discounts on Purchases		486.72
Cash Discounts on Sales	372.02	
	$232,820.57	$232,820.57

Cost of merchandise on hand June 30, 1916 — $25,710.40

REQUIRED:

(a) Working Sheet
(b) Journal Adjusting Entries
(c) Profit and Loss Statement
(d) Balance Sheet
(e) Closing Entries

COMMENTS:

The firm of Hall and Marvin conducts a wholesale and retail hardware business, owning its own real estate.

By the terms of the partnership agreement, profits and losses are shared two-thirds to Mr. Hall and one-third to Mr. Marvin: Mr. Marvin who acts as general manager, is allowed a salary of $250.00 a month, which is considered as an expense of operating the business; profits not withdrawn by the partners are not considered a part of their capital investments, but are credited to the partners' Drawings accounts, and may be withdrawn by the partners at their convenience. On December 31, 1915, Mr. Hall's Drawings account contained a credit balance of $3,629.40. Mr. Marvin's Drawings account had no balance.

Freight, express, and cartage inward on merchandise purchases is not considered a part of the cost of goods purchased. The stock is very varied, and to distribute properly the cost of freight and carting among the numerous commodities would be difficult and unsatisfactory.

During the six months ending June 30, 1916, the Sales account has been credited for $86,108.89 representing gross sales, and debited for $3,421.70 representing sales returns and allowances; the Purchases account has been debited for $57,529.46, gross purchases, and credited for $4,207.86, purchase returns and allowances.

In order that the results of the period may be correctly shown, the following items require adjustment:—

Unexpired insurance as of June 30	$260.00
Taxes accrued to June 30	102.50
Interest accrued on interest bearing notes receivable to June 30	24.60
Interest accrued on interest bearing notes payable to June 30	75.00
There are office supplies on hand which cost	150.89
Depreciation on the building is figured at the rate of 2% per annum: on the furniture and fixtures at 10% per annum.	
It is desired to set aside out of the profits for the period a further reserve for loss on bad accounts and notes receivable amounting to ½% of the net sales.	

Model Exercise C

HALL AND MARVIN

WORKING SHEET - SIX MONTHS PERIOD, DECEMBER 31, 1915 TO JUNE 30, 1916

Accounts	Trial Balance per Books		Adjustments		Adjusted Trial Balance		Trading		Profit and Loss		Assets and Liabilities	
	Debits	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Expenses	Income	Assets	Liabilities
Land	55,000 00				55,000 00						55,000 00	
Building	37,500 00				37,500 00						37,500 00	
Furniture and Fixtures	5,820 00				5,820 00						5,820 00	
Cash	7,682 53				7,682 53						7,682 53	
Accounts Receivable	23,731 40				23,731 40						23,731 40	
Notes Receivable	730 00				730 00						730 00	
Inventory	24,260 75				24,260 75		24,260 75	25,710 40			25,710 40	
Mortgage Payable		35,000 00				35,000 00						35,000 00
Accounts Payable		9,840 62				9,840 62						9,840 62
Notes Payable		5,000 00				5,000 00						5,000 00
C. R. Marvin, Salary		250 00				250 00						250 00
Reserve for Depreciation of Building		7,500 00		#6 375 00		7,875 00						7,875 00
Reserve for Depreciation of Furniture and Fixtures		1,750 00		#7 291 00		2,041 00						2,041 00
Reserve for Loss on Bad Accounts and Notes Receivable		169 80		#8 413 44		583 24						583 24
H. B. Hall, Capital		60,000 00				60,000 00						60,000 00
H. B. Hall, Drawings	1,869 00				1,869 00						5,498 40	3,629 40
C. R. Marvin, Capital		30,000 00				30,000 00						30,000 00
C. R. Marvin, Drawings	4,705 00				4,705 00						4,705 00	
Sales		82,687 19				82,687 19	3,421 70	86,108 89				
Purchases	53,321 60				53,321 60		57,529 46	4,207 86				
Freight, Express, and Cartage Inward	1,924 34				1,924 34				1,924 34			
Traveling Expenses	2,107 40				2,107 40				2,107 40			
Salaries and Wages	9,369 72				9,369 72				9,369 72			
Delivery Expenses	1,290 81				1,290 81				1,290 81			
Office Expenses	1,587 10			#5 150 89	1,436 21				1,436 21			
Insurance	435 00			#1 260 00	175 00				175 00			
Interest on Notes Receivable		136 24		#3 24 60		160 84				160 84		
Interest on Notes Payable	238 90		#4 75 00		313 90				313 90			
Interest on Mortgage Payable	875 00				875 00				875 00			
Cash Discounts on Purchases		486 72				486 72				486 72		
Cash Discounts on Sales	372 02				372 02				372 02			
	232,820 57	232,820 57										
Unexpired Insurance			#1 260 00		260 00						260 00	
Taxes			#2 102 50		102 50				102 50			
Accrued Taxes				#2 102 50		102 50						102 50
Accrued Interest on Notes Receivable			#3 24 60		24 60						24 60	
Accrued Interest on Notes Payable				#4 75 00		75 00						75 00
Office Supplies on Hand			#5 150 89		150 89						150 89	
Depreciation of Building			#6 375 00		375 00				375 00			
Depreciation of Furniture and Fixtures			#7 291 00		291 00				291 00			
Loss on Bad Accounts and Notes Receivable			#8 413 44		413 44				413 44			
			1,692 43	1,692 43	234,102 11	234,102 11						
Gross Trading Profit							30,815 24			30,815 24		
							116,027 15	116,027 15				
Net Profit									12,416 46		Hall Marvin	8,277 64 4,138 82
									31,462 80	31,462 80	166,813 22	166,813 22

Model Exercise C

HALL AND MARVIN

TRADING AND PROFIT AND LOSS STATEMENT

FOR SIX MONTHS ENDING JUNE 30, 1916

Net Sales:				
Gross Sales	86,108	89		
Less - Returns and Allowances	3,421	70	82,687	19
Deduct - Cost of Sales:				
Goods on Hand December 31.1915 $24,260.75				
Net Purchases:				
Gross Purchases $57,529.46				
Less - Returns and				
Allowances 4,207.86 53,321.60	77,582	35		
Less - Goods on Hand June 30, 1916	25,710	40	51,871	95
Gross Trading Profit			30,815	24
Deduct - Operating Expenses:				
Freight, Express and Cartage Inward	1,924	34		
Traveling Expenses	2,107	40		
Salaries and Wages	9,369	72		
Delivery Expenses	1,290	81		
Office Expenses	1,436	21		
Taxes	102	50		
Insurance	175	00		
Depreciation of Buildings	375	00		
Depreciation of Furniture and Fixtures	291	00	17,071	98
Net Trading Profit			13,743	26
Add - Extraneous Income Items:				
Interest on Notes Receivable	160	84		
Cash Discounts on Purchases	486	72	647	56
Total Income			14,390	82
Deduct - Extraneous Expense Items:				
Interest on Notes Payable	313	90		
Interest on Mortgage Payable	875	00		
Cash Discounts on Sales	372	02		
Loss on Bad Debts and Accounts Receivable	413	44	1,974	36
Net Profit for Period:				
H. B. Hall - two-thirds	8,277	64		
C. R. Marvin - one-third	4,138	82	12,416	46

Model Exercise C

HALL AND MARVIN

BALANCE SHEET, JUNE 30, 1916

ASSETS					
FIXED ASSETS:					
Land (cost)		55,000	00		
Building (cost)	$37,500.00				
Less - Reserve for Depreciation	7,875.00	29,625	00		
Furniture and Fixtures (cost)	$5,820.00				
Less - Reserve for Depreciation	2,041.00	3,779	00	88,404	00
CURRENT ASSETS:					
Cash on Hand		7,682	53		
Accounts Receivable	$23,731.40				
Less - Reserve for Loss on Bad Accounts and Notes Receivable	583.24	23,148	16		
Notes Receivable		730	00		
Accrued Interest on Notes Receivable		24	60		
Merchandise on Hand		25,710	40	57,295	69
DEFERRED CHARGES TO PROFIT AND LOSS:					
Unexpired Insurance		260	00		
Office Supplies on Hand		150	89	410	89
TOTAL ASSETS				146,110	58
LIABILITIES AND NET WORTH					
FIXED LIABILITIES:					
Mortgage Payable				35,000	00
CURRENT LIABILITIES:					
Accounts Payable		9,840	62		
Notes Payable		5,000	00		
Accrued Interest on Notes Payable		75	00		
Accrued Taxes		102	50		
Due C. R. Marvin on Salary Account		250	00	15,268	12
TOTAL LIABILITIES				50,268	12
H. B. HALL'S NET WORTH:					
Capital Investment		60,000	00		
Add - Profits Accumulated to December 31, 1915	$3,629.40				
Two-thirds Net Profit for Six Months Ending June 30, 1916	8,277.64				
	$11,907.04				
Less - Drawings December 31, 1915 to June 30, 1916	5,498.40	6,408	64	66,408	64
C. R. MARVIN'S NET WORTH:					
Capital Investment		30,000	00		
Deduct - Drawings December 31, 1915 to June 30,1916	$4,705.00				
Less - One-third Net Profit for Six Months Ending June 30, 1916	4,138.82	566	18	29,433	82
TOTAL LIABILITIES AND NET WORTH				146,110	58

Model Exercise C

HALL AND MARVIN

ADJUSTING ENTRIES, JUNE 30, 1916

Unexpired Insurance No. 1	260	00		
Insurance			260	00
To bring onto the books the unexpired insurance as of this date				
30				
Taxes No. 2	102	50		
Taxes Accrued			102	50
To bring onto the books the taxes accrued to date				
30				
Accrued Interest on Notes Receivable No. 3	24	60		
Interest on Notes Receivable			24	60
To bring onto the books the interest accrued to date on interest bearing notes receivable: J. A. Shore's note of 10/15/15, \$500, 8 mos. 15 days at 6% \$21.25 R. C. Cram's note of 4/3/16, \$230, 2 mos. 27 days at 6% 3.35 \$24.60				
30				
Interest on Notes Payable No. 4	75	00		
Interest Accrued on Notes Payable			75	00
To bring onto the books the interest accrued to date on interest bearing notes payable: Note of 4/1/16 favor First Nat'l. Bank, \$5,000, 90 days at 6%				
30				
Office Supplies on Hand No. 5	150	89		
Office Expenses			150	89
To bring onto the books the cost of office supplies on hand as of this date				
30				
Depreciation of Building No. 6	375	00		
Reserve for Depreciation of Building			375	00
Estimated depreciation on the building for the six months ending 6/30/16. Figured on cost (\$37,500) at the rate of 2% per annum				
30				
Depreciation of Furniture and Fixtures No. 7	291	00		
Reserve for Depreciation of Furniture and Fixtures			291	00
Estimated depreciation on furniture and fixtures for the six months ending 6/30/16. Figured on cost (\$5,820) at the rate of 10% per annum				
30				
Loss on Bad Accounts and Notes ReceivableNo.8	413	44		
Reserve for Loss on Bad Accounts and Notes Receivable			413	44
To set aside from the profits of the period ½% of the net sales to provide for future losses on bad accounts and notes receivable				

HALL AND MARVIN

CLOSING ENTRIES, JUNE 30, 1916

		Debit		Credit	
	Trading	$24,260	75		
	Inventory			$24,260	75
	Goods on hand 12/31/15 per inventory				
	30				
	Trading	53,321	60		
	Purchases			53,321	60
	Net purchases for six months ending 6/30/16				
	30				
	Sales	82,687	19		
	Trading			82,687	19
	Net sales for six months ending 6/30/16				
	30				
	Inventory	25,710	40		
	Trading			25,710	40
	Goods on hand 6/30/16 per inventory				
	30				
	Trading	30,815	24		
	Profit and Loss			30,815	24
	To transfer to Profit and Loss account the gross trading profit for the six months ending 6/30/15 as represented by the balance of the Trading account				
	30				
	Interest on Notes Receivable	160	84		
	Cash Discounts on Purchases	486	72		
	Profit and Loss			647	56
	To transfer to Profit and Loss account the balances of the accounts representing extraneous income for the six months ending 6/30/16				
	30				
	Profit and Loss	17,071	98		
	Freight, Express and Cartage Inward			1,924	34
	Traveling Expenses			2,107	40
	Salaries and Wages			9,369	72
	Delivery Expenses			1,290	81
	Office Expenses			1,436	21
	Taxes			102	50
	Insurance			175	00
	Depreciation of Building			375	00
	Depreciation of Furniture and Fixtures			291	00
	To transfer to Profit and Loss account the balances of the accounts representing operating expenses for the six months ending 6/30/16				
	30				
	Profit and Loss	1,974	36		
	Interest on Notes Payable			313	90
	Interest on Mortgage Payable			875	00
	Cash Discounts on Sales			372	02
	Loss on Bad Accounts and Notes Receivable			413	44
	To transfer to Profit and Loss account the balances of the accounts representing extraneous expenses for the six months ending 6/30/16				
	30				
	Profit and Loss	12,416	46		
	H. B. Hall, Drawings			8,277	64
	C. R. Marvin, Drawings			4,138	82
	To transfer to the partners' drawings accounts the net profit for the six months ending 6/30/16 in the proportion of two-thirds to H. B. Hall and one-third to C. R. Marvin				

Model Exercise D

DOWNS AND

BALANCE SHEET

ASSETS						
FIXED ASSETS:						
Land (cost)			72,000	00		
Buildings (cost)		$155,000.00				
Less:						
Reserve for Depreciation		24,500.00	130,500	00		
Sales Department Furniture and Fixtures (cost)		$9,200.00				
Less:						
Reserve for Depreciation		2,730.00	6,470	00		
Office Furniture and Fixtures (cost)		$5,000.00				
Less:						
Reserve for Depreciation		1,250.00	3,750	00		
Total Fixed Assets					212,720	00
GOODWILL					100,000	00
SINKING FUND INVESTMENTS:						
Securities and Cash in Hands of Trustees					46,728	50
OUTSIDE INVESTMENTS:						
Securities Owned (cost) - market value $17,268.00			18,760	00		
Vacant Land (cost, including taxes to June 30, 1916)			18,724	30		
Total Outside Investments					37,484	30
CURRENT ASSETS:						
Cash (in banks and at office)			7,829	89		
Accounts Receivable		$63,284.36				
Less:						
Reserve for Loss on Doubtful Accounts	$2,789.60					
Reserve for Cash Discounts	1,200.00	3,989.60	59,294	76		
Due from Subscribers to Capital Stock - Common			18,000	00		
Notes Receivable			6,500	00		
Merchandise on Hand (cost)		$160,520.60				
Less:						
Reserve for Adjustment of Inventory Values		8,500.00	152,020	60		
Office Supplies on Hand			267	50		
Total Current Assets					243,912	75
PREPAID ITEMS:						
Unexpired Insurance			1,950	00		
Interest Prepaid on Notes Discounted			136	70		
Total Prepaid Items					2,086	70
DEFERRED CHARGES TO PROFIT AND LOSS:						
Bond Discount and Expenses Unextinguished			19,500	00		
Organization Expenses Unextinguished			14,300	00		
Total Deferred Charges to Profit and Loss					33,800	00
Total Assets					676,732	25

Note:

There are in the treasury 250 shares of common stock donated to the company by the incorporators for the purpose of raising additional working capital.

FISHER COMPANY

JUNE 30, 1916

LIABILITIES AND NET WORTH							
FUNDED DEBT:							
Five Per Cent First Mortgage Sinking Fund Bonds - Due January 1, 1926 - Authorized Issue $100,000.00:							
Issued			$92,000.00				
Less:							
Retired through Sinking Fund			18,000.00	74,000	00		
Six Per Cent Debenture Bonds, Due July 1, 1930				30,000	00		
Total Funded Debt						104,000	00
CURRENT LIABILITIES:							
Notes Payable				24,000	00		
Accounts Payable				86,732	46		
Dividends Payable:							
On Seven Per Cent Preferred Stock (3½% semi-annual, due July 15, 1916)			$3,500.00				
On Common Stock (4% semi-annual, due July 15, 1916)			7,000.00	10,500	00		
Accrued Items:							
Interest on Funded Debt:							
Five Per Cent First Mortgage Bonds		$1,850.00					
Six Per Cent Debenture Bonds		900.00	$2,750.00				
Interest on Notes Payable			1,360.00				
Taxes			1,685.00				
Salaries and Wages			1,432.65	7,227	65		
Total Current Liabilities						128,460	11
CAPITAL STOCK - COMMON, SUBSCRIBED AND UNISSUED - 300 SHARES						30,000	00
TOTAL LIABILITIES						262,460	11
CAPITAL STOCK:							
Seven Per Cent Preferred - Authorized Issue 1500 Shares, Par $100:							
Full Paid and Issued, 1000 Shares				100,000	00		
Common - Authorized Issue 3000 Shares, Par $100:							
Full Paid and Issued 2000 Shares:							
In Hands of Stockholders, 1750 Shares			$175,000.00				
In Treasury, 250 Shares			25,000.00	200,000	00		
Total Capital Stock				300,000	00		
WORKING CAPITAL DONATED - (Proceeds of sale of 250 shares of common stock from the treasury)				21,630	00		
APPROPRIATED SURPLUS:							
Reserve for Sinking Fund Requirements				55,396	50		
UNDIVIDED PROFITS:							
Balance December 31, 1915		$30,389.67					
Add:							
Net Profit, Six Months Ending June 30, 1916 per Profit and Loss Statement		26,023.97	$56,413.64				
Less:							
Dividends Declared:							
On Preferred Stock (3½% semi-annual)	$3,500.00						
On Common Stock (4% semi-annual)	7,000.00	$10,500.00					
Reserve for Sinking Fund Requirements		8,668.00	19,168.00				
Total Undivided Profits				37,245	64		
TOTAL NET WORTH						414,272	14
Total Liabilities and Net Worth						676,732	25

Model Exercise D

DOWNS AND FISHER COMPANY

INCOME AND PROFIT AND LOSS STATEMENT
FOR THE SIX MONTHS ENDING JUNE 30, 1916

NET SALES:						
Gross Sales			746,829	60		
Less:						
Returns and Allowances			12,364	30	734,465	30
Deduct:						
COST OF GOODS SOLD:						
Inventory December 31, 1915		$184,962.38				
Net Purchases:						
Gross Purchases	$569,827.40					
Less:						
Returns and Allowances	18,260.39	551,567.01				
Freight and Hauling Inward		5,829.50	742,358	89		
Less:						
Inventory June 30, 1916			160,520	60	581,838	29
GROSS PROFIT ON SALES					152,627	01
Deduct:						
SELLING EXPENSES:						
Salesmen's Salaries		$26,432.80				
Traveling Expenses		20,869.40				
Shipping Expenses		5,942.60				
Taxes and Insurance on Stock		1,286.50				
Taxes and Insurance on Sales Department Furniture and Fixtures		150.64				
Depreciation of Sales Department Furniture and Fixtures		765.00				
Proportion of Expense of Building Maintenance (75%)		11,446.87	66,893	81		
GENERAL ADMINISTRATIVE EXPENSES:						
Officers' Salaries		$37,853.00				
Office Salaries		12,272.46				
Office Expenses and Supplies		1,781.30				
Taxes and Insurance on Office Furniture and Fixtures		110.75				
Depreciation of Office Furniture and Fixtures		465.00				
Proportion of Expense of Building Maintenance (25%)		3,815.63	56,298	14	123,191	95
NET OPERATING INCOME					29,435	06
Add:						
OTHER INCOME:						
Income on Securities Owned			924	00		
Interest on Notes Receivable			1,832	50		
Cash Discounts on Purchases			8,269	40		
Profit on Sale of Securities			3,466	77	14,492	67
TOTAL INCOME					43,927	73
Deduct:						
OTHER CHARGES:						
Interest on Funded Debt			2,750	00		
Interest on Notes Payable			1,589	40		
Cash Discounts on Sales			4,387	30		
Premiums on Redeemed Bonds			1,650	00		
Bond Discount and Expenses Written Off			910	00		
Organization Expenses Written Off			2,340	00		
Loss on Bad Accounts			4,277	06	17,903	76
NET INCOME - SURPLUS FOR PERIOD					26,023	97

Model Exercise D

DOWNS AND FISHER COMPANY

CLOSING ENTRIES, JUNE 30, 1916

Sales	12,364	30		
To Sales Returns and Allowances			12,364	30
To close into the Sales account the sales returns and allowances for the six months ending June 30, 1916				
Purchase Returns and Allowances	18,260	39		
To Purchases			18,260	39
To close into the Purchases account the purchase returns and allowances for the six months ending June 30, 1916				
Purchases	5,829	50		
To Freight and Hauling Inward			5,829	50
To close into the Purchases account the freight and hauling inward on purchases for the six months ending June 30, 1916				
Purchases	184,962	38		
To Inventory			184,962	38
Cost of goods on hand December 31, 1915				
Inventory	160,520	60		
To Purchases			160,520	60
Cost of goods on hand June 30, 1916				
Sales	734,465	30		
To Cost of Goods Sold			734,465	30
Net Sales for the six months ending June 30, 1916:				
Gross sales — $746,829.60				
Less:				
Returns and Allowances — 12,364.30				
$734,465 30				
Cost of Goods Sold	581,838	29		
To Purchases			581,838	29
Cost of goods sold for the six months ending June 30, 1916:				
Inventory 12/31/15 — $84,962.38				
Net Purchases:				
Gross purchases — $569,827.40				
Less:				
Returns and allowances — 18,260.39 — 551,567.01				
Freight and hauling inward — 5,829.50				
$742,358.89				
Less:				
Inventory 6/30/16 — 160,520.60				
$581,838.29				
Cost of Goods Sold	152,627	01		
To Profit and Loss			152,627	01
Gross profit on sales for six months ending June 30, 1916:				
Net sales — $734,465.30				
Less:				
Cost of sales — 581,838.29				
$152,627.01				
Income on Securities Owned	924	00		
Interest on Notes Receivable	1,832	50		
Cash Discounts on Purchases	8,269	40		
Profit on Sale of Securities	3,466	77		
To Profit and Loss			14,492	67
To close into Profit and Loss account the items of extraneous income for the six months ending June 30, 1916				

CLOSING ENTRIES, JUNE 30, 1916 - continued

	Profit and Loss	123,191	95		
	To Salesmen's Salaries			26,432	80
	Traveling Expenses			20,869	40
	Shipping Expenses			5,942	60
	Taxes and Insurance on Stock			1,286	50
	Taxes and Insurance on Sales Department Furniture and Fixtures			150	64
	Depreciation of Sales Department Furniture and Fixtures			765	00
	Building Maintenance			15,262	50
	Officers' Salaries			37,853	00
	Office Salaries			12,272	46
	Office Expenses and Supplies			1,781	30
	Taxes and Insurance on Office Furniture and Fixtures			110	75
	Depreciation of Office Furniture and Fixtures			465	00
	To close into Profit and Loss account the accounts representing the operating expenses for the six months ending June 30, 1916				
	Profit and Loss	17,903	76		
	To Interest on Funded Debt			2,750	00
	Interest on Notes Payable			1,589	40
	Cash Discounts on Sales			4,387	30
	Premiums on Redeemed Bonds			1,650	00
	Bond Discount and Expenses Written Off			910	00
	Organization Expenses Written Off			2,340	00
	Loss on Bad Accounts			4,277	06
	To close into Profit and Loss account the items of extraneous expense for the six months ending June 30, 1916				
	Profit and Loss	26,023	97		
	To Undivided Profits			26,023	97
	To transfer to Undivided Profits account the net income for the six months ending June 30, 1916				

MODEL EXERCISE E.

MODEL MANUFACTURING COMPANY

TRIAL BALANCE — DECEMBER 31, 1916

Land and Buildings	$110,800.00	
Machinery	30,670.00	
Power Plant Equipment	19,500.00	
Shafting and Belting	2,500.00	
Furniture and Fixtures	4,500.00	
Goodwill	25,000.00	
Securities Owned	15,000.00	
Cash in Banks	9,280.50	
Imprest Cash Fund	300.00	
Accounts Receivable	47,250.00	
Notes Receivable	3,000.00	
Advances to Salesmen	800.00	
Accrued Interest on Notes Receivable	50.00	
Raw Materials (On hand December 31, 1915—$6,800; gross purchases $95,600.)	102,400.00	
Manufacturing (Goods in process December 31, 1915)	10,360.00	
Finished Goods December 31, 1915	46,700.00	
Factory Supplies on Hand	200.00	
Office Supplies on Hand	150.00	
Taxes Paid in Advance	400.00	
Insurance Paid in Advance	360.00	
Interest on Notes Payable Paid in Advance	75.00	
Legal Expenses Deferred	2,600.00	
Capital Stock — Preferred (750 shares, par value $100)		$75,000.00
Capital Stock — Common (1000 shares, par value $100)		100,000.00
Surplus		14,250.00
Real Estate Mortgage Assumed in Purchase of property		60,000.00
Accounts Payable		26,500.00
Notes Payable		5,000.00
Accrued Interest on Mortgage Payable		1,800.00
Accrued Interest on Notes Payable		62.50
Accrued Salaries and Wages		780.00
Accrued Expenses		250.00
Reserve for Depreciation of Buildings		16,700.00
Reserve for Depreciation of Factory Machinery and Equipment		19,100.00
Reserve for Depreciation of Furniture and Fixtures		600.00
Reserve for Loss on Bad Debts		5,280.00
Sales of Finished Goods		239,909.00
Sales Returns and Allowances	4,260.40	
Purchase Returns and Allowances		1,720.00

TRIAL BALANCE — DECEMBER 31, 1916 (Concluded)

Freight and Hauling Inward	$1,620.00	
Direct Labor	54,620.00	
Superintendence	5,940.30	
Fuel Used	2,600.00	
Salaries of Engineer and Firemen	3,680.20	
Taxes and Insurance on Factory Buildings	1,562.50	
Depreciation of Factory Buildings	2,289.40	
Taxes and Insurance of Factory Machinery and Equipment	937.50	
Depreciation of Factory Machinery and Equipment	2,500.00	
Repairs to Factory Machinery and Equipment	800,00	
Factory Office Salaries and Expenses	3,580.65	
Advertising	5,000.00	
Salaries of Salesmen	10,650.00	
Traveling Expenses	6,780.30	
Delivery Expenses	2,684.00	
General Office Salaries and Expenses	10,294.60	
Taxes and Insurance on Office Building	300.00	
Depreciation of Office Building	864.00	
Interest on Notes Receivable		280.85
Income on Securities Owned		180.00
Interest on Mortgage Payable	1,800.00	
Interest on Notes Payable	289.00	
Loss on Bad Debts	1,564.00	
Legal Expenses Extinguished	900.00	
	557,412.35	557,412.35

Inventories December 31, 1916:

Raw Materials	$7,100.00
Goods in Process	12,900.00
Finished Goods	44,800.00

Note:

During the year, dividends amounting to 7% on the preferred stock and 6 % on the common stock have been declared and paid.

Model Exercise E

EXHIBIT A

BALANCE SHEET OF THE MODEL MANUFACTURING COMPANY, DECEMBER 31, 1916

ASSETS						
PROPERTY AND EQUIPMENT:						
Land and Buildings		$110,800.00				
Less - Reserve for Depreciation		16,700.00	94,100	00		
Factory Machinery and Equipment:						
Machinery	$30,670.00					
Power Plant Equipment	19,500.00					
Shafting and Belting	2,500.00	$52,670.00				
Less - Reserve for Depreciation		9,100.00	43,570	00		
Furniture and Fixtures		$4,500.00				
Less - Reserve for Depreciation		600.00	3,900	00	141,570	00
GOODWILL					25,000	00
INVESTMENTS:						
Securities Owned					15,000	00
CURRENT ASSETS:						
Cash in Banks			9,280	50		
Imprest Cash Fund			300	00		
Accounts Receivable		$47,250.00				
Less - Reserve for Loss on Bad Debts		5,280.00	41,970	00		
Notes Receivable			3,000	00		
Advances to Salesmen			800	00		
Accrued Items:						
Interest on Notes Receivable			50	00	55,400	50
INVENTORIES:						
Raw Materials			7,100	00		
Goods in Process			12,900	00		
Finished Goods			44,800	00		
Factory Supplies on Hand			200	00		
Office Supplies on Hand			150	00	65,150	00
DEFERRED CHARGES TO OPERATIONS:						
Taxes Paid in Advance			400	00		
Insurance Paid in Advance			360	00		
Interest on Notes Payable Paid in Advance			75	00		
Legal Expenses Deferred			2,600	00	3,435	00
TOTAL ASSETS					305,555	50

CAPITAL, LIABILITIES, AND SURPLUS					
CAPITAL STOCK:					
Preferred - 750 Shares, par value $100		75,000	00		
Common - 1000 Shares, par value $100		100,000	00	175,000	00
REAL ESTATE MORTGAGE ASSUMED IN PURCHASE OF PROPERTY				60,000	00
CURRENT LIABILITIES:					
Accounts Payable		26,500	00		
Notes Payable		5,000	00		
Accrued Items:					
Interest on Mortgage	$1,800.00				
Interest on Notes Payable	62.50				
Salaries and Wages	780.00				
Other Accrued Items	250.00	2,892	50	34,392	50
SURPLUS:					
Balance of Surplus Account December 31, 1915	$25,500.00				
Add - Net Profit for the Year Ending December 31, 1916 - See Exhibit B	21,913.00	47,413	00		
Deduct - Dividends Declared:					
On Preferred Stock - Seven per-cent	$5,250.00				
On Common Stock - Six per-cent	6,000.00	11,250	00	36,163	00
TOTAL CAPITAL, LIABILITIES, AND SURPLUS				305,555	50

Model Exercise E

EXHIBIT B

PROFIT AND LOSS STATEMENT OF THE MODEL MANUFACTURING COMPANY
FOR THE YEAR ENDING DECEMBER 31, 1916

NET SALES OF MANUFACTURED GOODS:					
Gross Sales		239,909	00		
Less - Returns and Allowances		4,260	40	235,648	60
Deduct - COST OF MANUFACTURED GOODS SOLD:					
On Hand December 31, 1915	$46,700.00				
Cost of Goods Manufactured During the Year - See Exhibit C	171,170.55	217,870	55		
Deduct - On Hand December 31, 1916		44,800	00	173,070	55
GROSS PROFIT ON SALES OF MANUFACTURED GOODS				62,578	05
Deduct - Selling and General Expenses:					
Selling Expenses:					
Advertising	$5,000.00				
Salaries of Salesmen	10,650.00				
Traveling Expenses	6,780.30				
Delivery Expenses	2,684.00	25,114	30		
General Administrative Expenses:					
General Office Salaries and Expenses	$10,294.60				
Taxes and Insurance on Office Building	300.00				
Depreciation of Office Building	864.00	11,458	60	36,572	90
NET OPERATING PROFIT				26,005	15
Add - Extraneous Income Items:					
Interest on Notes Receivable		280	85		
Income on Securities Owned		180	00	460	85
TOTAL INCOME				26,466	00
Deduct - Extraneous Expense Items:					
Interest on Mortgage Payable		1,800	00		
Interest on Notes Payable		289	00		
Loss on Bad Debts		1,564	00		
Legal Expenses Extinguished		900	00	4,553	00
NET PROFIT				21,913	00

Model Exercise E

EXHIBIT C

STATEMENT SHOWING COST OF GOODS MANUFACTURED BY THE MODEL MANUFACTURING COMPANY FOR THE YEAR ENDING DECEMBER 31, 1916

RAW MATERIALS USED:						
On Hand December 31, 1915		$6,800.00				
Net Purchases:						
Gross Purchases	$95,600.00					
Less - Returns						
and Allowances	1,720.00	93,880.00				
Freight and Hauling Inward		1,620.00	102,300	00		
Deduct - On Hand December 31, 1916			7,100	00	95,200	00
DIRECT LABOR					54,620	00
MANUFACTURING EXPENSES:						
Superintendence			5,940	30		
Fuel Used			2,600	00		
Salaries of Engineer and Firemen			3,680	20		
Taxes and Insurance on Factory Buildings			1,562	50		
Depreciation of Factory Buildings			2,289	40		
Taxes and Insurance on Machinery and Equipment			937	50		
Depreciation of Machinery and Equipment			2,500	00		
Repairs to Machinery and Equipment			800	00		
Factory Office Salaries and Expenses			3,580	65	23,890	55
TOTAL MANUFACTURING CHARGES					173,710	55
Add - Goods in Process December 31, 1915					10,360	00
					134,070	55
Deduct - Goods in Process December 31, 1916					12,900	00
NET COST OF GOODS MANUFACTURED					171,170	55

Model Exercise E

MODEL MANUFACTURING COMPANY

CLOSING ENTRIES, DECEMBER 31, 1916

Purchase Returns and Allowances		1,720	00		
To Raw Materials				1,720	00
Returns and allowances on purchases of raw materials for the year ending 12/31/16					
Raw Materials		1,620	00		
To Freight and Hauling Inward				1,620	00
Freight and hauling inward on purchases of raw materials for the year ending 12/31/16					
Manufacturing		95,200	00		
To Raw Materials				95,200	00
Cost of raw materials used in manufacturing for the year ending 12/31/16:					
On hand 12/31/15	$6,800.00				
Net purchases	93,880.00				
Freight and hauling inward	1,620.00				
	$102,300.00				
Less - On hand 12/31/16	7,100.00				
	$95,200.00				
Manufacturing		54,620	00		
To Direct Labor				54,620	00
Cost of direct labor for the year ending 12/31/16					
Manufacturing		23,890	55		
To Superintendence				5,940	30
Fuel Used				2,600	00
Salaries of Engineer and Firemen				3,680	20
Taxes and Insurance on Factory Buildings				1,562	50
Depreciation of Factory Building				2,289	40
Taxes and Insurance on Machinery and Equipment				937	50
Depreciation of Machinery and Equipment				2,500	00
Repairs to Machinery and Equipment				800	00
Factory Office Salaries and Expenses				3,580	65
Manufacturing expenses for the year ending 12/31/16					
Finished Goods		171,170	55		
To Manufacturing				171,170	55
Cost of goods manufactured for the year ending 12/31/16:					
Goods in process 12/31/15	$10,360.00				
Raw materials used	95,200.00				
Direct labor	54,620.00				
Manufacturing expenses	23,890.55				
	$184,070.55				
Less - Goods in process 12/31/16	12,900.00				
	$171,170.55				
Sales of Finished Goods		4,260	40		
To Sales Returns and Allowances				4,260	40
Sales returns and allowances for the year ending 12/31/16					

	Debit		Credit	
Sales of Finished Goods	173,070	55		
To Finished Goods			173,070	55
Cost of finished goods sold for the year ending 12/31/16:				
On hand 12/31/15 $46,700.00				
Manufactured during the year 171,170.55				
$217,870.55				
Less - On hand 12/31/16 44,800.00				
$173,070.55				
Sales of Finished Goods	62,578	05		
To Profit and Loss			62,578	05
Gross profit on sales of finished goods for the year ending 12/31/16:				
Net sales $235,648.60				
Less - Cost of sales 173,070.55				
$62,578.05				
Interest on Notes Receivable	280	85		
Income on Securities Owned	180	00		
To Profit and Loss			460	85
Extraneous income items for the year ending 12/31/16				
Profit and Loss	36,572	90		
To Advertising			5,000	00
Salaries of Salesmen			10,650	00
Traveling Expenses			6,780	30
Delivery Expenses			2,684	00
General Office Salaries and Expenses			10,294	60
Taxes and Insurance on Office Building			300	00
Depreciation of Office Building			864	00
Selling and general expenses for the year ending 12/31/16				
Profit and Loss	4,553	00		
To Interest on Mortgage Payable			1,800	00
Interest on Notes Payable			289	00
Loss on Bad Debts			1,564	00
Legal Expenses Extinguished			900	00
Extraneous expense items for the year ending 12/31/16				
Profit and Loss	21,913	00		
To Surplus			21,913	00
Net Profit for the year ending 12/31/16:				
Gross profit on sales of Manufactured goods $62,578.05				
Extraneous income 460.85				
$63,038.90				
Less - Selling and general expenses $36,572.90				
Extraneous expenses 4,553.00 41,125.90				
$21,913.00				

THE BOSTON

COMPARATIVE BALANCE SHEET

ASSETS	DEC.31, 1916		DEC.31, 1915		INCREASE		DECREASE	
REAL ESTATE AND EQUIPMENT:								
Land	124,000	00	124,000	00				
Buildings	236,750	00	190,400	00	46,350	00		
Trucks, Wagons and Horses	25,291	60	20,300	00	4,991	60		
Furniture and Fixtures	30,169	50	34,287	95			4,118	45
Garage and Stable Equipment	3,682	72	2,983	40	699	32		
Total Real Estate and Equipment	419,893	82	371,971	35	47,922	47		
GOODWILL	250,000	00	250,000	00				
SINKING AND RESERVE FUNDS:								
With Trustees for Redemption of Twenty Year 6% Gold Bonds	44,968	73	36,941	30	8,027	43		
Fund for Redemption of Ten Year 4½% Debentures	36,738	20	25,789	60	10,948	60		
Insurance Fund	15,640	56	12,987	32	2,653	24		
Total Sinking and Reserve Funds	97,347	49	75,718	22	21,629	27		
INVESTMENTS:								
Securities Owned	12,362	50	44,321	97			31,959	47
Vacant Land - Cost plus Accrued Taxes	62,550	50	61,780	00	770	50		
Total Investments	74,913	00	106,101	97			31,188	97
CURRENT ASSETS:								
Cash	15,813	46	12,463	19	3,350	27		
Accounts Receivable	247,932	16	228,113	43	19,818	73		
Notes Receivable	4,176	30	5,207	85			1,031	55
Accrued Interest on Notes Receivable	98	70	126	32			27	62
Merchandise on Hand	196,211	88	162,486	85	33,725	03		
Office Supplies on Hand	617	29	132	65	484	64		
Garage and Stable Supplies on Hand	802	37	484	21	318	16		
Total Current Assets	465,652	16	409,014	50	56,637	66		
PREPAID ASSETS:								
Taxes	1,846	50	1,524	90	321	60		
Insurance	217	30	541	65			324	35
Total Prepaid Assets	2,063	80	2,066	55			2	75
DEFERRED CHARGES TO OPERATIONS:								
Bond Discount and Expenses	17,640	00	18,900	00			1,260	00
Organization Expenses	14,000	00	17,500	00			3,500	00
Total Deferred Charges to Operations	31,640	00	36,400	00			4,760	00
TOTAL ASSETS	1,341,510	27	1,251,272	59	90,237	68		

DRY GOODS COMPANY

DECEMBER 31, 1916

CAPITAL, LIABILITIES AND SURPLUS	DEC.31, 1916		DEC.31, 1915		INCREASE		DECREASE	
CAPITAL STOCK:								
Preferred - Authorized, 2500 Shares par value $100	150,000	00	150,000	00				
Common - Authorized, 5000 Shares par value $100	450,000	00	400,000	00	50,000	00		
Total Capital Stock	600,000	00	550,000	00	50,000	00		
FUNDED DEBT:								
Twenty Year 6% Sinking Fund Gold Bonds, Due January 1, 1930:								
In Hands of Public	175,000	00	185,000	00			10,000	00
Held by Sinking Fund Trustees	25,000	00	15,000	00	10,000	00		
Ten Year 4½% Debentures, Due July 1, 1921	100,000	00	100,000	00				
Total Funded Debt	300,000	00	300,000	00				
CURRENT LIABILITIES:								
Accounts Payable	62,731	49	53,906	73	8,824	76		
Notes Payable	25,700	00	37,689	40			11,989	40
Accrued Interest on Bonds	5,250	00	5,250	00				
Accrued Interest on Notes Payable	296	37	468	97			172	60
Accrued Salaries and Wages	982	50	604	47	378	03		
Dividends on Preferred Stock	3,000	00	3,000	00				
Dividends on Common Stock	7,875	00	7,000	00	875	00		
Unclaimed Dividends and Interest	281	90	231	60	50	30		
Total Current Liabilities	106,117	26	108,151	17			2,033	91
RESERVES:								
For Depreciation of Buildings and Equipment	45,260	00	36,410	00	8,850	00		
For Loss on Bad Accounts	8,239	64	5,749	37	2,490	27		
For Sinking Fund for Redemption of Twenty Year 6% Gold Bonds	44,968	73	36,941	30	8,027	43		
For Redemption of Ten Year 4½% Debentures	43,738	20	32,689	25	11,048	95		
For Insurance	19,621	14	15,129	60	4,491	54		
Total Reserves	161,827	71	126,919	52	34,908	19		
CAPITAL SURPLUS - Proceeds of Sale of Treasury Stock	130,000	00	130,000	00				
UNDIVIDED PROFITS	43,565	30	36,201	90	7,363	40		
TOTAL CAPITAL, LIABILITIES AND SURPLUS	1,341,510	27	1,251,272	59	90,237	68		

Model Exercise F

THE BOSTON DRY GOODS COMPANY

COMPARATIVE INCOME AND EXPENSE STATEMENT - DECEMBER 31, 1916

	MONTH OF DECEMBER, 1916		TWELVE MONTHS YEAR TO DATE		SAME PERIOD LAST YEAR		INCREASE		DECREASE		% INC. OR DEC.
NET SALES:											
Silk Goods	3,862	93	65,750	62	70,289	40			4,538	78	6.46
Dress Goods	28,860	79	329,370	59	246,364	32	83,006	27			33.69
Suitings	14,203	40	197,832	40	140,117	12	57,715	28			41.19
Prints and Ginghams	17,751	86	230,914	35	155,419	53	75,494	82			48.57
Linen Goods	14,273	54	191,213	07	210,268	50			19,055	43	9.06
Flannels and Sheetings	17,632	18	226,378	24	252,796	18			26,417	94	10.45
Total Net Sales	96,584	70	1,241,459	27	1,075,255	05	166,204	22			15.46
COST OF GOODS SOLD:											
Silk Goods	3,462	91	58,921	37	64,713	54			5,792	17	8.95
Dress Goods	22,978	64	258,172	98	181,231	87	76,941	11			42.45
Suitings	8,939	30	122,783	47	82,169	02	40,614	45			49.43
Prints and Ginghams	12,707	16	172,934	86	121,805	36	51,129	50			41.91
Linen Goods	10,345	87	135,832	20	158,268	93			22,436	73	14.18
Flannels and Sheetings	13,049	32	172,344	49	180,118	60			7,774	11	4.32
Total Cost of Goods Sold	71,483	20	920,989	37	788,307	32	132,682	05			16.83
GROSS TRADING PROFIT	25,101	50	320,469	90	286,947	73	33,522	17			11.68
OPERATING EXPENSES:											
Buying	625	86	7,491	02	7,016	44	474	58			6.76
Receiving and Warehousing	2,827	79	31,949	06	28,997	29	2,951	77			10.18
Selling	7,391	15	105,998	18	90,752	29	15,245	89			16.79
Shipping	2,596	25	32,274	46	26,370	12	5,904	34			22.39
Credit and Collection	847	74	8,379	45	8,296	13	83	32			1.01
General Administrative	3,705	47	44,613	48	41,431	01	3,182	47			7.68
Total Operating Expenses	17,994	26	230,705	65	202,863	28	27,842	37			13.72
NET TRADING PROFIT	7,107	24	89,764	25	84,084	45	5,679	80			6.75
OTHER INCOME:											
Interest on Notes and Accounts Receivable	210	63	1,762	50	986	72	775	78			78.62
Cash Discounts on Purchases	518	04	7,329	60	6,173	51	1,156	09			18.73
Income on Securities Owned	1,462	50	3,200	00	2,850	00	350	00			12.28
Total Other Income	2,191	17	12,292	10	10,010	23	2,281	87			22.79
GROSS INCOME	9,298	41	102,056	35	94,094	68	7,961	67			8.46
OTHER CHARGES:											
Interest on 6% Sinking Fund Gold Bonds	2,000	00	12,000	00	12,000	00					
Interest on 4½% Debentures	375	00	4,500	00	4,500	00					
Interest on Notes Payable	160	75	2,621	70	3,263	75			642	05	15.32
Loss on Bad Accounts	602	45	6,734	18	4,189	60	2,544	58			60.74
Proportion of Bond Discount and Expenses	105	00	1,260	00	1,260	00					
Proportion of Organization Expenses	291	67	3,500	00	3,500	00					
Total Other Charges	3,534	87	30,615	88	28,713	35	1,902	53			6.63
NET PROFIT	5,763	54	71,440	47	65,381	33	6,059	14			9.27

Model Exercise F

THE BOSTON DRY GOODS COMPANY

COMPARATIVE ANALYSIS OF UNDIVIDED PROFITS ACCOUNT, DECEMBER 31, 1916

	DEC. 31, 1916		DEC. 31, 1915		INCREASE		DECREASE	
CREDITS:								
Undivided Profits at Beginning of Year	36,201	90	40,537	24			4,335	34
Net Profit per Income and Expense Statement	71,440	47	65,381	33	6,059	14		
Profit on Sale of Securities	4,289	60			4,289	60		
Total Credits	111,931	97	105,918	57	6,013	40		
CHARGES:								
Preferred Stock Dividends, 8%	12,000	00	12,000	00				
Common Stock Dividends, 7%	31,500	00	28 000	00	3,500	00		
Reserve for Sinking Fund for Redemption of 6% Gold Bonds	6,666	67	6,666	67				
Reserve for Redemption of 4½% Debentures	10,000	00	8,500	00	1,500	00		
Adjustment of Inventory	8,200	00	14,550	00			6,350	00
Total Charges	68,366	67	69,716	67			1,350	00
NET UNDIVIDED PROFITS	43,565	30	36,201	90	7,363	40		

Model Exercise F

THE BOSTON DRY GOODS COMPANY

COMPARATIVE ANALYSIS OF GARAGE AND STABLE EXPENSES, DECEMBER 31, 1916

	MONTH OF DECEMBER, 1916		TWELVE MONTHS YEAR TO DATE		SAME PERIOD LAST YEAR		INCREASE		DECREASE		% INC. OR DEC.
Salaries of Drivers and Stablemen	1,368	30	13,783	49	10,201	65	3,581	84			35.11
Fodder and Stable Supplies	132	90	2,168	79	3,720	06			1,551	27	41.70
Garage Supplies	297	55	2,934	62	1,208	41	1,726	21			142.85
Taxes, Insurance, and Depreciation on Trucks, Wagons and Horses			3,692	00	2,186	72	1,505	28			68.84
Repairs to Trucks and Wagons	136	84	1,010	50	701	19	309	31			44.11
Depreciation on Equipment			368	27	298	34	69	93			23.44
Rent - Maintenance of Garage and Stable Building.	541	87	5,448	85	4,470	10	978	75			21.89
TOTAL GARAGE AND STABLE EXPENSES	2,475	46	29,406	52	22,786	47	4,730	05			20.76
Distribution:											
Receiving and Warehousing Expenses 35%	866	41	10,292	28	7,975	26					
Shipping Expenses 65%	1,609	05	19,114	24	14,811	21					
Total, as above	2,475	46	29,406	52	22,786	47					

Model Exercise F

THE BOSTON DRY GOODS COMPANY

COMPARATIVE ANALYSIS OF COST OF MAINTENANCE OF REAL ESTATE, DECEMBER 31, 1916

	MONTH OF DECEMBER, 1916		TWELVE MONTHS YEAR TO DATE		SAME PERIOD LAST YEAR		INCREASE		DECREASE		% INC. OR DEC.
MAIN BUILDING:											
Taxes	375	00	4,500	00	4,275	00	225	00			5.26
Insurance	65	00	780	00	780	00					
Depreciation	270	83	3,250	00	3,250	00					
Repairs to Building	201	34	1,846	72	2,719	60			872	88	32.10
Janitors and Watchman	536	97	4,987	36	4,480	27	507	09			11.32
Heat, Light and Power - Fuel	375	00	2,540	00	1,470	00	1,070	00			72.79
Heat, Light and Power - Engineer and Fireman	266	67	3,200	00	3,200	00					
Miscellaneous Supplies	69	48	1,016	78	731	46	285	32			39.01
Total Cost of Maintenance of Main Building	2,160	29	22,120	86	20,906	33	1.214	53			5.81
Distribution:											
Buying Expenses 5%	108	01	1,106	04	1,045	32					
Selling Expenses 67%	1,447	40	14,820	98	14,007	24					
Shipping Expenses 8%	172	82	1,769	67	1.672	51					
Credit and Collection Expenses 5%	108	01	1,106	04	1.045	32					
General Administrative Expenses 15%	324	05	3,318	13	3,135	94					
Total, as above	2,160	29	22,120	86	20,906	33					
WAREHOUSE:											
Taxes	125	00	1,500	00	1,425	00	75	00			5.26
Insurance	40	00	480	00	480	00					
Depreciation	166	67	2,000	00	2,000	00					
Repairs to Building	201	83	1,014	56	724	86	289	70			39.97
Heat and Light - Purchased	132	41	1,267	29	941	73	325	56			34.57
Total Cost of Maintenance of Warehouse	665	91	6,261	85	5,571	59	690	26			12.39
Chargeable to Receiving and Warehousing Expenses											
GARAGE AND STABLE:											
Taxes	41	67	500	00	230	00	270	00			117.39
Insurance	17	11	206	50	79	30	127	20			160 40
Depreciation	300	00	3,600	00	2,480	00	1.120	00			45.16
Repairs to Building	50	24	217	49	962	31			744	82	77.40
Heat and Light - Purchased	132	85	924	86	718	49	206	37			28.72
Total Cost of Maintenance of Garage and Stable	541	87	5,448	85	4,470	10	978	75			21.89
Chargeable to Garage and Stable Expenses											
TOTAL COST OF MAINTENANCE OF REAL ESTATE	3.368	07	33,831	56	30,948	02	2,883	54			9.32

THE BOSTON DRY GOODS COMPANY

COMPARATIVE ANALYSIS OF OPERATING EXPENSES, DECEMBER 31, 1916

	MONTH OF DECEMBER, 1916		TWELVE MONTHS YEAR TO DATE		SAME PERIOD LAST YEAR		INCREASE		DECREASE		INC. OR DEC.
BUYING:											
Salaries of Purchasing Agent and Assistants	458	33	5,500	00	5,100	00	400	00			7.84
Stationery and Supplies	34	56	496	40	527	63			31	23	5.91
Taxes, Insurance and Depreciation on Office Furniture	14	63	175	60	175	60					
Rent - 5% of Maintenance of Main Building	108	01	1,106	04	1,045	32	60	72			5.71
Miscellaneous Expenses	10	33	212	98	167	89	45	09			26.74
Total Buying Expenses	625	86	7,491	02	7,016	44	474	58			6.76
RECEIVING AND WAREHOUSING:											
Freight and Express Inward	501	93	7,683	12	8,162	47			479	35	5.87
Hauling Inward - 35% of Garage and Stable Expenses	866	41	10,292	28	7,975	26	2,317	02			29.05
Salaries of Receiving Clerks and Warehousemen	647	00	6,136	50	5,571	00	565	50			10.15
Stationery and Supplies	19	53	210	47	375	00			164	53	43.34
Taxes, Insurance and Depreciation on Furniture and Fixtures	29	50	354	04	289	60	64	44			22.25
Warehouse Power - Purchased	76	89	837	40	910	53			73	13	8.03
Rent - Maintenance of Warehouse	665	91	6,261	85	5,571	59	690	26			12.39
Miscellaneous Expenses	20	62	173	40	141	84	31	56			22.32
Total Receiving and Warehousing Expenses	2,827	79	31,949	06	28,997	29	2,951	77			10.18
SELLING:											
Advertising - Newspapers	204	25	12,981	40	9,362	79	3,618	61			38.63
Advertising - Trade Papers	629	50	9,301	62	7,793	15	1,508	47			19.36
Samples, Catalogs and Pamphlets			3,800	00	4,321	60			521	60	12.07
Salaries of Sales Manager and Assistants	800	00	9,600	00	8,100	00	1,500	00			18.52
Salaries of Salesmen	2,190	50	25,173	40	20,326	75	4,846	65			23.84
Salesmen's Expenses	1,053	19	16,495	72	13,284	51	3,211	21			24.17
Salaries of Store Clerks	856	73	11,242	59	10,963	84	278	75			2.54
Stationery and Supplies	59	28	702	50	664	14	38	36			5.78
Taxes and Insurance on Stock	73	83	886	00	793	40	92	60			11.67
Taxes, Insurance and Depreciation on Furniture and Fixtures	41	89	502	70	502	70					
Rent - 67% of Maintenance of Main Building	1,447	40	14,820	98	14,007	24	813	74			5.81
Miscellaneous Expenses	34	58	491	27	632	17			140	90	22.29
Total Selling Expenses	7,391	15	105,998	18	90,752	29	15,245	89			16.79
SHIPPING:											
Freight and Express Outward	318	72	5,319	64	4,117	27	1,202	37			28.96
Hauling Outward - 65% of Garage and Stable Expenses	1,609	05	19,114	24	14,811	21	4,303	03			29.05
Salaries of Shipping Clerks and Packers	400	00	4,800	00	4,650	00	150	00			3.23
Packing Supplies	74	19	942	73	714	86	227	87			31.86
Stationery			93	37	138	15			44	78	32.41
Taxes, Insurance and Depreciation on Furniture and Fixtures	16	00	192	00	176	50	15	50			8.78
Rent - 8% of Maintenance of Main Building	172	82	1,769	67	1,672	51	97	16			5.80
Miscellaneous Expenses	5	47	42	81	89	62			46	81	52.23
Total Shipping Expenses	2,596	25	32,274	46	26,370	12	5,904	34			22.39
CREDIT AND COLLECTION:											
Salaries of Credit Manager and Assistants	416	67	5,000	00	4,500	00	500	00			11.11
Collection Expenses	34	19	417	62	675	93			258	31	38.22
Charges on Collections Made by Banks	20	87	491	00	514	40			23	40	4.55
Credit References	4	17	50	00	50	00					
Legal Fees	176	30	542	25	737	89			195	64	26.51
Stationery and Supplies	34	26	296	73	321	51			24	78	7.71
Taxes, Insurance and Depreciation on Office Furniture	12	55	150	62	150	62					
Rent - 5% of Maintenance of Main Building	108	01	1,106	04	1,045	32	60	72			5.81
Miscellaneous Expenses	30	72	325	19	300	46	24	73			8.23
Total Credit and Collection Expenses	847	74	8,379	45	8,296	13	83	32			1.01
GENERAL ADMINISTRATIVE:											
Salaries of Officers	1,675	00	20,100	00	20,100	00					
Salaries of General Office Clerks	946	80	11,976	80	9,821	45	2,155	35			21.95
Officers' Expenses	164	28	1,931	72	1,276	25	655	47			51.36
General Office Stationery and Supplies	182	31	2,360	49	2,693	76			333	27	12.38
Postage	192	19	2,215	00	1,906	48	308	52			16.18
Telephone and Telegrams	9	47	184	62	247	13			62	51	25.29
Ice, Water and Towel Supply	10	00	160	00	173	40			13	40	7.73
Carfares	19	65	247	10	314	50			67	40	21.43
Taxes, Insurance and Depreciation on Office Furniture and Fixtures	75	00	900	00	900	00					
Rent - 15% of Maintenance of Main Building	324	05	3,318	13	3,135	94	182	19			5.81
Miscellaneous Expenses	106	72	1,219	62	862	10	357	52			41.47
Total General Administrative Expenses	3,705	47	44,613	48	41,431	01	3,182	47			7.68
TOTAL OPERATING EXPENSES	17,994	26	230,705	65	202,863	28	27,842	37			13.72

PART I

PROBLEMS IN SINGLE ENTRY

October 1, 1915

1. J. A. Anderson has this day purchased the stock and other assets of the hardware and plumbing business of C. J. Lee, 205 Main St., Taunton, Mass., paying therefor $10,262.50 in cash. The accounts receivable as of October 1, 1915, are to be collected by Mr. Lee and converted to his own use. The liabilities of the business are to be assumed by Mr. Anderson.

The assets purchased by Anderson are as follows:

Hardware and plumbing supplies	$12,925.00	
Horse and wagon	400.00	
Store fixtures	550.00	$13,875.00

The liabilities are as follows:

Due to Providence Mfg. Co	$1,726.40	
Due to J. B. Hunter & Co	776.90	
Due to National Plumbing Supplies Co	926.20	
Accrued taxes	183.00	$3,612.50

Mr. Anderson has deposited his check for $6,000.00 in the Taunton National Bank as an additional investment in the business.

The books are to be kept by single entry, and consist of a Purchase Book, Sales Book, Cash Book, Journal and Ledger. Accounts are to be kept in the ledger with customers, creditors, the proprietor, expense and contracts.

October 2

Bought for cash from the Symonds Manufacturing Co., merchandise	$762.50
Bought from the Ames Plough Co., terms 2%—10 days, net—30 days, merchandise	2,500.00

October 3

Bought of the Chilson Stove Co., terms, net—60 days, merchandise as per invoice	689.50
Paid cash to J. M. Rudd for counters, shelves, etc., for store	300.00
Paid cash for repairs to wagon	15.00

October 5

Paid cash for the Ames Plough Company's invoice of October 2 less 2% cash discount.	
Cash sales of merchandise	360.00

October 8

Sold J. W. Foster, terms 2%—10 days, net 60 days, merchandise	2,760.00
Sold A. B. Daniels, net 60 days, merchandise	822.90
Cash sales	240.67

October 10

Received cash from J. W. Foster for bill of Oct 8, less 2% cash discount.	
Cash sales	200.00
Entered into a contract with B. A. Smith to supply and instal the plumbing for a residence being erected by him. Contract price, $525.00.	
Bought of the National Plumbing Supplies Co. merchandise to be used on the above contract (Charge Contract No. 1)	127.50
Paid salaries and wages to date	165.60
Sold Calvin Brown, on account, merchandise as per bill	1,260.50
Contracted with J. W. Folsom to put a hot water heater into his house for $550.00.	
Bought for cash from the Chilson Stove Co. merchandise and supplies for the above contract. (Charge Contract No. 2)	310.00
Cash sales	560.57

October 12

Received from A. B. Daniels cash on account of bill of October 8		$500.00

October 13

Cash sales		192.00

October 15

Sold Williams & Everett, terms 2%—10 days, net 30 days, merchandise		762.90
Paid cash for board of horse		15.00
Took merchandise from stock on account of Contract No. 1		276.00

October 16

Received from Calvin Brown, on account, a 30-day note		500.00
Contracted with Aaron Sleeper to do the plumbing in his new house for $400.		
Bought on account from National Plumbing Supplies Co., for Contract No. 3, merchandise as per invoice		205.00

October 17

Sold C. E. Watson, net 60 days, merchandise as per bill		635.00
Paid cash for stationery		72.50
Paid salaries and wages to date:		
Store clerks	$135.00	
Contract No. 1	50.00	
Contract No. 2	35.00	
		220.00

October 19

Sold Calvin Brown, on account, merchandise		1,267.40
Cash sales		210.00
Paid tax bill of October 1		183.00

October 20

Mr. Anderson withdrew for personal use, cash		175.00
Contract No. 1 is finished. Charge B. A. Smith for the contract price $525; also credit Contract No. 1 for the same amount.		

October 22

Purchased from the Providence Mfg. Co. merchandise as per invoice, terms, net 30 days		2,607.00
Received from B. A. Smith, on account, cash		200.00

October 23

Contracted with the City of Taunton to furnish the plumbing and heating apparatus for schoolhouse No. 4. Contract price, $3,100.00.		
Purchased from the National Plumbing Supplies Co. materials for the above		1,700.00
Cash sales		310.50

October 24

Purchased from the Stanley Heating Co. for Contract No. 4 merchandise, terms, net—30 days		500.00
Took materials from stock for Contract No. 4		160.00
Paid salaries and wages as follows:		
Store salaries	$140.00	
Contract No. 2	30.00	
Contract No. 3	57.80	
Contract No. 4	60.00	287.80

October 26

Contract No. 2 is finished. Charge Mr. Folsom for the contract price and credit Contract No. 2 for same amount.		
Paid Stanley Heating Co. for bill of October 24		$500.00
Paid Providence Mfg. Co., on account		1,500.00
Paid National Plumbing Supplies Co., on account		1,000.00
October 27		
Sold Williams and Everett, on account, merchandise		560.90
Received from J. W. Folsom cash in full		350.00
Cash sales		169.40
October 28		
Paid wages on account of Contract No. 3		25.00
Contract No. 3 is finished. Make the proper entries.		
Cash sales		120.42
October 29		
Sold B. A. Smith, 2%—10 days, net 30 days, merchandise		260.00
October 31		
Paid rent for October		275.00
Paid telephone and lighting bills		12.50
Cash sales		267.35
Paid wages and salaries:		
Store wages	$147.00	
Contract No. 4	42.00	189.00
Mr. Anderson withdrew for personal expenses		60.00
Inventories—October 31, 1914:		
Merchandise on hand (cost)	10,260.40	
Unfinished contract (cost to date)	2,462.00	
Horse and wagon	375.00	
Store fixtures	800.00	

REQUIRED:

a. Write up the books of original entry, Purchase Book, Sales Book, Cash Book and Journal. Foot and rule the various books as of October 31.

b. Post to the Ledger; balance the various ledger accounts and draw off a summary of ledger balances.

c. Prove the correctness of the posting to the ledger.

d. Write up a Statement of Assets and Liabilities showing the profit or loss for the month.

e. Make and post a journal entry crediting or charging Anderson's personal account for the profit or loss, as the case may be; make and post journal entries, closing out the Expense account and the finished Contract account. (The difference between the balances of the proprietor's capital account and his personal account should agree with the net worth as shown on the Statement of Assets and Liabilities.)

f. Because of the increasing volume of his business, Mr. Anderson decides to change his books from single entry to double entry. Make and post the proper journal entry.

Provided the accounts have been properly kept it is not a difficult matter to change the books from a single entry to a double entry form. This may be done as follows:

Make a journal entry in double entry form, listing all the assets as debits and all the liabilities as credits. (The assets and liabilities may be taken from the Statement of Assets and Liabilities.)

To the liabilities add the proprietor's net worth, thus balancing the entry and making an equal

number of debits and credits. Place a check mark in the folio column against the names of each account that is already on the books and proceed to post the unchecked accounts, opening an account in the ledger with each asset and liability which does not already appear there. The books are now in double entry form.

g. Draw off a trial balance from the ledger to prove that it is in balance.

NOTE

Use page 1 of a sheet of journal paper for the Purchase Book.
Use pages 2 and 3 of the same sheet for the Cash Book.
Use page 4 for the Sales Book.
Use pages 1 and 2 of another sheet of journal paper for the Journal.
Use page 3 of this sheet for the Summary of Ledger Balances and the Proof of Posting.
Use page 4 of this sheet for the Statement of Assets and Liabilities.
Place the final Trial Balance on a separate sheet of paper.

2. William Sprague began business January 1, 1915, with assets and liabilities consisting of accounts receivable, \$8,000; accounts payable, \$4,000; merchandise, \$5,000; cash, \$1,000. On June 30, 1915, his assets and liabilities comprised cash, \$100; accounts payable, \$7,000; notes payable, \$1,000; furniture and fixtures, \$800; merchandise, \$12,000; accounts receivable, \$8,000; office supplies, \$100. During the period Sprague had invested \$2,000 additional and had withdrawn at different times \$1,000, \$600 and \$1,400. His books are kept by single entry.

Prepare a statement of assets and liabilities as of June 30, supplemented by a statement showing what the net profit or loss has been for the six months. Make entry or entries which will result in changing the books to double entry, assuming that the same ledger is to be continued.

3. Smith & Murray have been doing business as equal partners and have kept their books by single entry. They wish to admit Davis as a partner and have their books kept by double entry. Their books and inventory taken show the following assets and liabilities: Merchandise, \$9,241; cash, \$850; real estate, \$3,000; accounts receivable, \$6,941; store fixtures, \$571. Smith's investment account credit, \$6,400; Murray's investment account credit, \$5,390; accounts payable, \$4,175; bills payable, \$975.

Prepare statement of resources and liabilities and find each partner's present worth, after which make opening entry for the double entry set of books. Davis is admitted and invests cash, \$3,000; merchandise, \$2,000; bills receivable, \$1,500. Make opening entry for Davis.

4. On January 1, 1910, Robert A. Grant began business as a retail dry goods merchant. His capital at the time consisted of merchandise, \$12,300; cash, \$1,150; furniture and fixtures, \$600.

He sold most of his goods for cash, although credit was extended in certain cases.

The books were kept by single entry and consisted of a ledger, journal and cash book.

At the end of three months Mr. Grant desired to ascertain whether he was making any money. The clerks were set to work taking inventory, and the bookkeeper was instructed to prepare a list of outstanding accounts receivable and payable. This produced the following results:

Merchandise on hand	\$24,062.62
Accounts receivable	2,165.74
Accounts payable	15,203.21
Cash in bank	2,572.43
Cash in drawer	224.17

Paid invoices showed purchases of office equipment during the period amounting to \$275.

Invoices have been received and entered on the books covering the purchase of goods amounting to \$375.20, which goods have not yet arrived.

Feeling the need of more working capital, Mr. Grant sold on February 10 certain bonds which he had been holding as investments, realizing thereon \$1,250, which amount was placed in the business.

Prepare (a) statement or statements showing the resources and liabilities and the net profit or loss for the period; (b) entry to accomplish the opening of a double entry set of books.

5. W. A. Wallace and A. M. Adams are equal partners. Adams wishes to retire from the firm and an adjustment is required. Wallace's capital account shows a credit balance of \$2,000 and Adams' a credit of \$2,700. They agree to the following division of the assets: Adams takes cash, \$4,400, and notes receivable, \$3,700. Wallace takes the merchandise inventoried at \$5,600, personal accounts re-

ceivable, $6,300, on which he is allowed a discount of 10% for bad debts, and he assumes the accounts payable, $1,100, and notes outstanding, $2,200. Arrange the above accounts in the form of a trial balance, find the net gain or loss, and on the above basis of division of assets find which partner is indebted to the other, and how much.

6. (From Illinois C. P. A. Examination.)

A "single entry" set of books for 1912 are sent to you with an order to prepare a profit and loss statement for the year and a balance sheet at December 31. The starting capital was $34,500.

The accounts receivable	Jan. 1	$26,500.00	Dec. 31	$44,000.00
The accounts payable	Jan. 1	7,500.00	Dec. 31	9,750.00
The merchandise	Jan. 1	8,500.00	Dec. 31	9,500.00
The plant and machinery	Jan. 1	10,000.00	Dec. 31	10,000.00
The furniture and fixtures	Jan. 1	700.00	Dec. 31	700.00

A summary of cash book for the year shows as follows:

Received:	
Accounts receivable	$30,000.00
Capital paid in	2,500.00
Disbursed:	
Bank overdraft Jan. 1	3,700.00
Accounts payable	12,500.00
General expense	5,000.00
Wages	7,750.00
Personal account	1,500.00

Leaving a Bank Account of $2,000.00, and Currency on hand, $50.00.

Provide 5% interest on capital, disregarding additions during the year and personal drafts, deducting 10% for plant and machinery depreciation, 5% for furniture and fixtures, and 5% for bad debt reserve.

7. (From the Ohio C. P. A. Examination.)

The books of the Butter, Egg & Cheese Company, with an authorized and outstanding capital stock issue of $25,000.00, are kept by single entry.

It annually inventories all of its assets and liabilities and from such inventory prepares a financial statement. At December 31, 1913, this inventory is as follows:

Office cash	$1,584.00
Balance bank A	10,824.00
Accounts receivable	29,521.00
Ten shares stock in competing company	1,000.00
Plant and equipment	64,938.00
Merchandise inventory	21,737.00
Prepaid expenses	5,081.00
Overdraft bank B	5,003.00
Accounts payable	19,747.00
Mortgage payable	25,000.00
Notes payable	20,000.00

From a comparison of the financial statements at the beginning and end of year you find that the above item of plant and equipment is stated in an amount less by $11,460.00 than it was at the beginning of the year, plus additions during the year.

The financial statement for the beginning of year showed a surplus of $35,703.00.

From your analysis of the disbursements and unpaid accounts payable at beginning and end of year you find a total of purchases amounting to $661,910.00 and expenses for salaries, wages, supplies, repairs, etc., amounting to $120,115.00.

The purchases, however, included $450.00 paid out for John Smith, an employee, for which he had not reimbursed the company, and the total expenses of $120,115.00 included $250.00 in the hands of a buyer as a working fund.

The inventory of merchandise at the beginning of the year was $18,125.00 and of prepaid expense was $2,653.00.

There was canceled on the customers' ledger during the year $3,206.00 of uncollectible accounts.

There was paid for interest and discount on notes payable $1,061.00 and for interest on mortgage $1,500.00.

A 10 per cent. dividend was declared, but not paid.

From the foregoing prepare:

a. A balance sheet as at December 31, 1913.

b. A profit and loss statement exhibiting net sales, cost of sales and gross and net profit for the year.

8. (From Illinois C. P. A. Examination.)

A dispute arises between two partners carrying on a retail business under the name of Levy & Mayer, and you are called in to adjust the accounts between them, when you find the following conditions:

a. The books have been kept on single entry and it is impracticable to go over the accounts in sufficient detail to complete the double entry.

b. It is three years since the firm has had an accounting, when a Balance Sheet was prepared (copy of which is handed to you), and contains the following:

Assets—December 31, 1908:

Store fixtures	$15,000.00
Leasehold (5 years to run)	5,000.00
Merchandise on hand	35,000.00
Customers' accounts	10,000.00
Cash on hand and in bank	12,500.00
Prepaid expenses	2,500.00
	$80,000.00

Liabilities:

Accounts payable	$15,000.00
A. B. Levy—special loan	20,000.00
A. B. Levy—capital account	30,000.00
W. K. Mayer—capital account	15,000.00
	$80,000.00

c. You are informed that Mr. Levy's loan bears interest at 6% per annum, and that the Capital Accounts are to be credited with interest at 5%. Also that Mr. Mayer, who had active charge of the business, is to receive 20% of the profits in lieu of other salary, the remaining 80% of the profits to be divided between the partners in proportion to the capital contributed.

d. The inventory as taken as at December 31, 1911, was as follows:

Merchandise:		
Good condition	$50,000.00	
Old styles and partly soiled	7,500.00	
Obsolete and useless	1,500.00	$59,000.00
Customers' Accounts:		
Good	$12,500.00	
Doubtful	2,500.00	
Bad	1,000.00	$16,000.00
Accounts Payable		$17,500.00

You also found that on June 30, 1910, Mr. A. B. Levy's Special Loan had been repaid with interest, and that a 5% loan had been obtained from the bank for $10,000.00, and that the Cash in Bank and on Hand at December 31, 1911, was $15,000.00, while the Bank Interest Prepaid was $250.00, and Insurance Premiums Prepaid amounted to $5,000.00. The Partners' Drawings on account of Profits and Interest and Commissions were found to be as follows:

	A. B. Levy	W. K. Mayer
In 1909	$12,000.00	$16,000.00
In 1910	15,000.00	15,000.00
In 1911	18,000.00	20,000.00
	$45,000.00	$51,000.00

After consultation with the Partners it was agreed to write 50% off the value of the "Old Style and Partly Soiled" goods and off the Doubtful Accounts Receivable, and to consider the Bad Accounts and Obsolete and Useless material to be of no value.

You are required to draw up the following:

1. A statement showing how you arrive at the Profit and Loss for the three years, showing also the disposition thereof.
2. The Partners' Accounts.
3. A Balance Sheet at December 31, 1911, after making the necessary adjustment of the accounts.

PART II

PARTNERSHIP PROBLEMS

9. (From New York C. P. A. Examination.)

X and Y bought merchandise to the amount of $12,000. X contributed $7,500; Y, $4,500. They afterward sold Z a one-third interest for $6,000. How much of this amount should X and Y receive, respectively, in order to make X, Y and Z equal partners.

10. During the summer of 1909, D and S were equal partners in the oriental goods business in Lake Placid, N. Y. At the close of the season, after all collections had been made and all debts paid, there remained in the bank a balance of $64.85. Their books of account showed that during the summer D had withdrawn $219.80 and S, $132. At the close of the season they dissolved partnership, but no immediate settlement was made, and three months later, when they came to settle, D had spent the remaining balance of $64.85. At that time D entered a claim for personal goods to the amount of $26, which he had contributed to the firm, and S a similar claim for $15.75. S demands a settlement. What amount is owing to him?

11. Smith and Johnson are partners, Smith having invested $20,000 and Johnson $9,000, profits and losses shared equally. Upon liquidation losses are suffered so that the amount available for distribution to the partners is only $10,000.

How should the $10,000 be divided?

12. A, B and C are partners, their capital accounts showing A, $60,000; B, $20,000, and C, $45,000. Upon dissolution the assets of the concern are sold for $54,700.

a. How should the deficit be divided?

b. B is insolvent and the claim against him is worthless. How should the amount available for distribution be divided?

c. Show the partners' accounts as they would appear after the books had been closed finally.

13. (From New York C. P. A. Examination.)

Three partners contribute capital as follows: X, $90,000; Y, $45,000; Z, $15,000. They share profits in the proportion of X, 50%; Y, 30%, and Z, 20%. X's salary is $5,000, Y's salary is $3,000, Z's salary is $2,000. At the end of their fiscal period Z dies. The books are closed and the net assets ascertained to be $152,500. X and Y liquidate the firm's affairs and distribute the surplus assets quarterly as follows:

First quarter	$42,410.20	
Second quarter	74,622.30	
Third quarter	31,967.50	$149,000.00

Prepare a statement of the partners' accounts, showing how the distribution of assets should be made, together with the apportionment of the loss.

14. (From Examination for Admittance to the American Institute of Accountants, June, 1917.)

A, B and C were in partnership, A's capital being $90,000, B's $50,000, and C's $50,000. Their agreement is to share profits in the following ratio: A, 60%; B, 15%; C, 25%. During the year C withdrew $10,000. Net losses on the business during the year were $15,000, and it is decided to close out the business. It is uncertain how much the assets will ultimately yield, although none of them is known to be bad. The partners therefore mutually agree that as the assets are liquidated, distribution of cash on hand shall be made monthly in such a manner to avoid, so far as feasible, the possibility of paying to one partner cash which he might later have to repay to another. Collections are made as follows: May, $15,000; June, $13,000; July, $52,000. After this no more can be collected. Show the partners' accounts, indicating how the cash is distributed in each instalment, the essential feature in the distribution being to observe the agreement given above.

15. (From New York C. P. A. Examination.)

A, B and C agree to start in business with a capital of $200,000, of which A is to furnish $100,000 and B and C $50,000 each. A is to have ½ interest in the business and B and C each ¼. Interest at 5% is to be credited on excess, or charged on deficiency of capital. A contributes $100,000, B $45,000 and C $40,000. How would the capital accounts stand on the books after adjusting the interest at the end of the year?

16. (From New York C. P. A. Examination.)

For the purpose of making a joint speculation A contributes $3,000, B $2,000, and C $1,000, and they agree to share the profits or losses in proportion to the amounts contributed. October 15, 1900, A deposited the $6,000 with his broker, giving instructions to buy 300 shares New York Central and 300 shares Chicago, Burlington & Quincy. The order was executed October 16, 1900, N. Y. C. at 130⅝ and C. B. & Q. at 127. April 10, 1901, under instructions from A, N. Y. C. was sold at 151¼ and C. B. & Q. at 191½, a check being received from the broker to close the account. How much does A owe B and C for their interests in the deal, calculating interest at 6% (365 days to the year), commission at ⅛%, and revenue tax of $2 for each 100 shares?

17. (From C. P. A. Examination, New York.)

A, B and C were partners carrying on business with a capital December 31, 1900, of $60,000, of which A's share was $30,000, B's $20,000, and C's $10,000; each partner was entitled to 5% interest on his capital; profits or losses to be shared as follows: A, 7/12; B,1/4, and C, 1/6. The partners agree, July 1, 1901, to dissolve. After all partnership assets had been realized and all debts paid, except $500 legal expenses, there remained a balance in bank of $48,750. Final settlement takes place December 31, 1901. Cash in bank bears interest at 2% from October 1, 1901. Show a statement for settlement and partners' capital accounts as of December 31, 1901.

18. Wilson and Lawson are partners, sharing profits and losses equally. The partnership is dissolved December 31, 1907, at which time Wilson's capital investment was $10,000 and Lawson's $2,500. The total liabilities of the firm are $25,000, which includes $5,000 due Wilson on loan account and $2,500 due Lawson on loan account. The assets of the firm are disposed of for $30,000 on May 1, 1908. Prepare accounts closing the partnership and showing the position in which the partners stand to each other. No allowance for interest is required.

19. (From Massachusetts C. P. A. Examination.)

A, B and C engage in business, A contributing $10,000 and B $5,000, while C, in lieu of any capital contribution, agrees to undertake the active management at a salary of $3,000 per year, to be paid monthly.

After allowing 5% interest on capital, they are to divide the net result in the proportions of 5, 3 and 2, respectively.

At the end of eighteen months they ascertain the position to be unfavorable and decide to wind up. The assets realize $12,500; there are no liabilities except for capital and interest thereon and one month's salary due C.

Make up the partners' accounts, showing the amount to be received by each.

20. (From Massachusetts C. P. A. Examination.)

A and B form a partnership, A investing $30,000 and B $50,000. They agree to share expenses, profits and losses equally. They further agree to and do leave their original investments intact. At the end of the first year the profits from the operations of the business amount to $30,000, against which A has drawn in twelve equal monthly instalments on the last day of each month an aggregate amount of $9,000; B has drawn against his profits on the last day of each quarter the sum of $2,500.

Prepare journal entries adjusting interest at 5% per annum between the partners in respect to both their investment and drawing accounts, and render statements showing the amount each partner has in the business at the end of the year.

21. (From Illinois C. P. A. Examination.)

A and B enter into a partnership and will share profits in the proportion indicated by their investments. A furnishes $25,000 and B $15,000, which is invested in lands and buildings, $10,000, and merchandise, $30,000. However, before they have actually commenced business C, realizing that A and B have a promising venture, offers to buy a one-third interest in the business for $20,000. A agrees to sell provided B will consent to pay him a bonus of $4,000 out of his (B's) share. This B agrees to do and consents to the sale.

How should the $20,000 be divided between A and B so that the interest of all three partners will be equal?

22. (From Massachusetts C. P. A. Examination.)

A and B, partners, finding themselves in want of further capital in their business, and both being possessed of real property, A deposited deeds with the bankers of the firm as security for a loan of $2,000.00 to the firm. B arranged on some of his own property a mortgage for $1,500.00 with a private friend and paid the proceeds into the firm's bank account. The bankers were eventually obliged to realize the security held by them which produced, after payment of all expenses, the sum of $2,850.00.

Prepare entries recording these transactions in the firm's books.

23. (From California C. P. A. Examination.)

Two partners, Wilson and Peters, find at the end of the first year's business that the balance sheet shows Wilson's interest to be worth $18,000 and Peters', $9,000. The good will of the firm is worth $3,000. Each partner draws profits in proportion to his investment.

They conclude to take in another partner and to give him a one-quarter interest in the new firm. What sum must the new partner contribute? How will the partnership accounts appear after the payment in of the new capital? How will the profits be divided?

24. (From Washington C. P. A. Examination.)

H. Pratt, F. Jones and J. Todd entered into partnership on July 1, 1914. Pratt brought in as capital $15,000.00; Jones, $10,000.00, and Todd, $5,000.00. They were to share profits in the proportions of three-sixths, two-sixths and one-sixth, but as Jones and Todd were the working partners they were to be credited at the close of each current year, by way of salary, with the respective sums of $1,250.00 and $750.00. Pratt was to be allowed to draw each year as against profits $2,500.00, Jones $1,650.00 and Todd $1,250.00, but interest at 6% was to be charged on such drawings. The partnership agreement also provided that Jones and Todd should have the right to bring in extra capital not exceeding $8,000.00 each, and that upon such capital they were to be credited with 6% interest. On closing the books on June 30, 1915, it was found that the partners had drawn:

Pratt		Jones		Todd	
Sept. 1	$500.00	Aug. 1	$400.00	Aug. 1	$300.00
Nov. 1	750.00	Sept. 1	350.00	Sept. 1	250.00
Dec. 1	1,000.00	Oct. 1	500.00	Nov. 1	400.00
		Dec. 1	425.00	Dec. 1	100.00

On October 1, Jones brought into the business as additional capital the sum of $1,250.00 and Todd $2,000.00. On closing the books at June 30, 1915, and before the salary or interest to partners had been dealt with, the balance to the credit of Profit and Loss stood at the sum of $11,000.00. Make the closing entries and prepare Capital and Drawing Accounts showing the exact position of the partners of July 1, 1915.

25. December 31, 1915, the following trial balance was taken after closing from the books of Dudley and Sealy:

Assets		Liabilities	
Cash	$460,000	Accounts Payable	$800,000
Accounts Receivable	550,000	Notes Payable	490,000
Notes Receivable	75,000	Dudley, Capital	525,000
Merchandise	830,000	Sealy, Capital	450,000
Real Estate	350,000		
	$2,265,000		$2,265,000

Profits and losses are shared equally.

On the date mentioned above an agreement is made to admit Williard into the partnership, he to invest in the business sufficient cash to give him a one-third interest. Inspection of the accounting records shows that of the accounts and notes receivable now carried on the books, $30,000 of accounts receivable and $45,000 of notes receivable are worthless. A physical inventory shows the cost of goods on hand to be $890,000. The good will is valued at $150,000.

Make the entries necessary to properly adjust the books and to show the admitting of Williard. Show a trial balance taken from the books after these entries have been made and posted.

26. (From New York Examination.)

A, B, C and D enter into partnership with a capital of $100,000.00. A invests $40,000.00, B $30,000.00, C $20,000.00, and D $10,000.00. They are to share profits or losses in the following proportions: A 35%, B 28%, C 22%, and D 15%. They are also to receive stipulated salaries chargeable to the business.

At the end of six months there is a loss of $8,000, and meantime the partners have drawn against prospective profits as follows: A, $400; B, $600; C, $600, and D, $400.

They dissolve partnership and agree to distribute proceeds of firm assets monthly as realized. C and D enter other business and A and B remain to wind up the firm's affairs, it being stipulated that from all moneys collected and paid over to C and D a commission of 5% is to be deducted and divided equally between A and B for their services in the winding up.

The realization and liquidation lasts four months and the transactions are as follows:

	Assets realized	Liabilities liquidated	Expenses and losses on realization exclusive of commissions
First month	$30,190.00	$7,900.00	$400.00
Second month	50,300.00	6,100.00	750.00
Third month	20,010.00	3,800.00	340.00
Fourth month	9,500.00	2,200.00	110.00
	$110,000.00	$20,000.00	$1,600.00

Prepare partners' accounts showing the amount payable monthly to each one.

27. (From the Final Examination of the Society of Accountants and Auditors in London, England, December, 1907.)

Diogenes Brown and Eusebius Robinson, having separate businesses, agree to a joint venture in a cargo of goods to a newly-established Colony, under the following arrangement:

Each supplies $5,000 of his own goods, besides which they jointly purchase $10,000 (net) from other parties. This latter sum is paid by E. R., who receives all the goods into his own warehouse, packs them, puts them on board ship, and pays all the necessary outgoings. For this he makes a charge of $50, and is entitled to interest at 5 per cent. per annum for Cash-out-of-pocket, until the realization. The out-of-pocket expenses are: Freight and Charges, $175; Insurance, $125, and Packing Cases, $35. The goods are sold upon arrival for $25,000, and at the end of three months from the start of the transaction a remittance, less charges for Landing, Warehousing, Sale Charges and Commissións, etc., $412.25, is received by E. R. Journalize these transactions, and raise proper Joint Adventure Accounts in the books of both parties, showing the profit made, which is to be equally divided.

28. (From the State of Washington Examination.)

A and B, who had hitherto been in business separately, decided to enter into partnership on July 1, 1905. The Balance Sheets of A and B were on that date as follows:

A

Liabilities			Assets	
Accounts Payable	$1,000		Furniture	$750
Capital Account	5,000	$6,000	Accounts Receivable (face value)....	2,500
			Merchandise	2,550
			Cash	200
		$6,000		$6,000

B

Liabilities			Assets	
Accounts Payable	$1,500		Furniture	$600
Capital Account	3,000	$4,500	Accounts Receivable (face value)....	1,500
			Merchandise	2,000
			Cash	400
		$4,500		$4,500

It was agreed that A and B should make over their respective accounts receivable at $200 and $150 less than the face values shown in the Balance Sheets, these amounts to be charged against their Capital Accounts and carried on the partnership books as a reserve for bad and doubtful accounts. Of B's furniture only $250 was to be taken over by the partnership. With the above exceptions the assets and liabilities of the parties were to be taken over by the partnership at the Balance Sheet figures, except that B was to invest in the partnership, in cash, a sum which, after making the adjustments above referred to, would make his capital account the same as that of A.

Draw the Balance Sheet of the A and B partnership on July 1, 1905, giving effect to the foregoing provisions.

29. A and B of Colorado engaged as equal partners in a stock-raising enterprise with a capital of $10,000, each contributing one-half.

A received a salary of $200 per month.

At the end of three years they decided to terminate the business, and B, who handled all the money of the copartnership and kept the books, reported the following receipts and payments:

Receipts		Payments	
A's investment	$5,000	Purchases of Cattle....................	$57,000
B's investment	5,000	Loans repaid	14,000
Sales of Cattle	80,359	A's salary	4,200
Loans	15,000	Interest	1,000
		Expenses	9,000
		A's withdrawals	2,200
		B's withdrawals	1,800

A round-up and branding of the herd showed the following inventory: 30 heifers at $20; 38 steers at $30; 75 cows at $20; 10 bulls at $60; 75 yearlings at $12; 100 calves at $8. There remained with the bankers a balance of $16,150 and other assets were as follows: Horses, $800; tools, etc., $100; supplies, $150; branding irons, $40; salt, $100; loan at the bank, $1,000; unpaid wages, $260. You are required to prepare such statements as are necessary to show (a) the financial condition of the copartnership at its termination; (b) the results of the three years operations; (c) the interest of each partner.

30. (From Illinois C. P. A. Examination in Practical Accounting.)

A and B, equal partners in a manufacturing business, admit their factory superintendent, C, as an equal partner with them in the profits without his furnishing any capital, A and B reserving to themselves in case of dissolution any good will which may have accrued to the business.

On December 31, 1912, a balance sheet was drafted and approved by all concerned as follows:

Assets:

Real Estate and Plant		$90,000.00
Merchandise Inventory		35,000.00
Accounts Receivable		25,000.00
Notes Receivable		15,000.00
Cash		18,000.00
		$183,000.00

Liabilities:

Notes Payable		$10,000.00
Accounts Payable		12,500.00
A's Account	$4,500.00	
B's Account	4,000.00	
C's Account	2,000.00	10,500.00
Capital Accounts:		
A	$75,000.00	
B	75,000.00	150,000.00
		$183,000.00

Later the business was sold as a "going" concern and the partnership dissolved. The purchaser assumes all outside liabilities and pays the sum of $225,000 cash, of which the real estate and plant is valued at $120,000. Make the entries necessary to close the books of the partnership, and show the condition of the partners' accounts after closing.

31. S and T began business August 1, 1899, S investing $8,000 and T $5,000, gains and losses to be shared equally and no interest allowed on investment or charged on withdrawals.

The firm dissolves May 1st, 1900. The books had been kept in a haphazard fashion, but the partners agreed to the following statement, which was submitted for settlement: Net debit of S, $2,100; net credit of T, $3,500; cash on hand, $3,400; 10 shares of bank stock (market value, $1,100); expense debit, $5,100; profit and loss debit, $3,000; credit, $500. The bank holds the firm's note for $2,000, on which there is accrued interest, $60.

Prepare a statement showing the settlement of the partnership affairs of the firm.

32. (From Washington C. P. A. Examination.)

A and B carried on business in partnership and divided profits and losses in proportion to their capital, three-fifths and two-fifths, respectively. On January 1, 1915, A's capital was $52,500.00 and B's $35,000.00, as shown by a balance sheet of that date. They agreed to admit C as a partner from the same date on the following terms:

1. Assets and liabilities and capital to be taken as shown in the balance sheet;

2. $12,500.00 to be added to the assets for good will;

3. The amount of good will to be added to A's and B's capital in the proportion in which they divide profits;

4. C to pay to the partnership such a sum as will give him a one-fifth share in the business.

a. State what amount of capital C has to bring in.

b. Set out the capital accounts of each partner in the new partnership, and

c. State in what proportions the profits will be divided in the future, A and B, as between themselves, sharing in the same proportions as before.

PART III

CORPORATION ACCOUNTS

Section 1—General Problems

33. R. H. Barnes, C. W. Weston and J. H. Moore organize the R. H. Barnes Company with a capital stock of $25,000, divided into shares of $100 each. On June 1 all of the stock had been subscribed for, and the subscribers made payments for their stock in cash, June 15. Make opening entries in the books of the corporation.

34. The Wakefield Company was incorporated January 1, 1913, with an authorized capital stock of $100,000, consisting of $50,000 6% Preferred Stock and $50,000 Common Stock, divided into shares of $100 each. All of the Preferred Stock and 50% of the Common Stock had been subscribed for. The subscriptions were paid February 1. Show in journal form the entries to be made for the above.

35. At the time of incorporating the Jones Manufacturing Company, May 1, 1912, to take over the business established by William Jones, it was the agreement between Jones and the other incorporators that of the $100,000 in capital stock which he received in exchange for his business, he would donate to the corporation 20% to be sold to provide cash to make necessary expansion. On July 10 $10,000 of the stock so donated was sold to investors at 60.

Make proper entries.

36. The directors of the Consolidated Railway Company vote on issue of $850,000 first mortgage 5% bonds on March, 1912, due in 1940. The entire issue is subscribed for by E. H. Sloane & Co., Investment Bankers, at 98.

Make proper entry to show the issue of the bonds.

37. The Toledo Paper Company, finding that it can use to advantage additional capital, issues $100,000 first mortgage 20-year Gold Bonds bearing 5% interest. It sells these bonds at 96. Give the entry on the books of the corporation.

J. M. Davidson buys $10,000 of the bonds at 96. What entry will Davidson make for the purchase?

38. (From Examination for Admittance to the American Institute of Accountants.)

A corporation having issued its capital stock at par buys 1,000 shares at 95. It later sells 500 of these shares at 98, and 300 at 85, and 200 at 101. Give the journal entries covering these transactions.

How should the items appear on the balance sheet immediately after purchasing the stock, and immediately after each of the sales?

39. (From Massachusetts C. P. A. Examination.)

A company is formed with a nominal capital of $500,000 in 50,000 shares of $10.00 each. Of these, 40,000 are issued and subscribed for. $1.00 per share is payable on application, and $2.00 per share on allotment. A call of $3.00 per share is made four months after the date of allotment, and a further call of $3.00 three months after the date of the first call.

The deposit, with the amount per share due on allotment, is paid in full, but in respect to the first call $110,000 only is received, and on the second call $95,000 only. The amounts received are paid into the company's banking account.

Prepare journal entries to record the above transactions.

40. (From Examination for Admittance to the American Institute of Accountants.)

A company organized with $1,000,000 capital stock which it placed at par, and $1,000,000 5 per cent. bonds which it sold at 90, this being a 6 per cent. basis. It paid to contractors, etc., for construction $1,800,000, and this amount of investment ran, on the average, for one year before the property was ready

for operation. When operation began the company had therefore paid one year's interest on the issue of bonds. No dividends were paid on the stock. In addition to the sum named above the company also paid $10,000 for legal expenses in connection with incorporation and $5,000 for franchise and other fees.

How should the accounts appear when the property was ready for operation?

41. A Massachusetts corporation was organized with a capital of $100,000—10,000 shares of $10 each. At the meeting of the incorporators it was resolved to purchase certain patent rights from and for the whole of the capital, less 100 shares held by the incorporators and paid for at par. Afterward the former owner of the patent rights agreed to sell to the company 5,900 shares for the sum of $29,500, or $5 per share, which was accepted, and B was appointed trustee to hold the stock in his name as trustee, and was authorized by the directors to sell the stock at $8 per share, which he succeeded in doing. Give proper entries for the above transactions and how would the profits on this transaction affect the dividends of the stockholders?

42. (From New York C. P. A. Examination.)

A corporation organized under the laws of the state of New York has an authorized capital of $200,000, consisting of 1,000 shares common and 1,000 shares preferred stock, par value $100 each. Patents were acquired of a patentee for $50,000 common and $50,000 preferred stock. The patentee donated one-half of each issue of his stock to the company for its use in securing working capital. Show entries necessary to record these transactions.

43. A corporation is organized with a capital stock of $100,000 to acquire a business formerly conducted by A. The business shows Sundry Assets $150,000 and Sundry Liabilities $80,000. Three shares of stock are sold at par to X, Y and Z, who afterward become directors of the new corporation. All of the remaining stock is issued to A, who immediately donates $10,000 of stock to the treasury to procure additional capital. Two months later $5,000 of the donated stock is sold at 48 and six months later the remainder was sold at 62.

44. (From Illinois C. P. A. Examination.)

A company is formed at January 1st, 1907, with a capital of $1,750,000.00, consisting of 17,500 shares of the par value of $100.00 each.

Of these, 16,250 shares are sold to subscribers at par for cash.

The following is a summary of the transactions of the company during the first twelve months of carrying on business:

The preliminary and formation expenses are $12,500.00, which are paid in cash.

They purchase freehold and leasehold current going iron works and collieries from A. B and Company for $1,250,000.00.

They take over from them the necessary plant and machinery at $375,000.00, and a stock of iron, coal, etc., at $229,250.00.

The vendors take in part payment of their purchase money $50,000.00 on First Mortgage Bonds, and $125,000.00 in shares of the company, fully paid. There is $1,665,000.00 paid to them in cash.

The company expends during the year $54,200.00 in additions to the plant and machinery by purchases from sundry creditors to the extent of $41,300.00, and by payments through Cash Account of $12,900.00.

They purchase materials from sundry creditors to the extent of $461,500.00, and they purchase for cash to the extent of $67,310.00. They pay for wages, rents, royalties, tools, wagon hire, repairs, etc., $842,700.00.

Their sales from iron and coal to sundry debtors amount to $1,526,585.00. They receive in cash from sundry debtors $1,040,700.00.

They draw on sundry debtors bills to the extent of $419,740.00.

They transfer of the above amount to sundry creditors $54,510.00, and the bank credits their account with $331,400.00, the proceeds of those discounted.

They pay in cash to sundry creditors $231,415.00.

They accept for creditors, bills of exchange to the extent of $142,110.00; of this amount they meet $86,005.00 through their banking account, the balance being still current at the end of the year. They borrow on First Mortgage Bonds $375,000.00, which is paid into their banking account as received.

They pay to their bankers for interest and commissions $8,040.00; for salaries, office expenses, and management, $15,670.00; law charges, $410.00, and for Directors' and Auditors' fees, $3,010.00.

They write off five per cent. from the original amount of the plant and machinery for depreciation, but nothing from the additions.

They also write off the following amounts: $25,000.00 from the freehold and leasehold property to cover minerals taken from the freehold and to provide for the expiration of the leases; $3,005.00 for bad debts, and one-fifth from the preliminary expenses.

The discount allowed to sundry debtors amounted to $5,530.00.

There is due at the close of the year $2,250.00 for interest on Bonds, and the value of the stock of materials then on hand is $154,285.00.

All receipts are paid into the bank, and all payments are made by check.

Make journal entries covering the above transactions for the year and prepare a Trading and Profit and Loss Account and a Balance Sheet.

45. The Domestic Manufacturing Company, organized with a capital stock of $5,000,000, one-half preferred stock and one-half common stock, sells five shares of common stock at par for cash. It issues to John Jones $1,500,000 preferred stock and $1,000,000 common stock, in consideration of the assignment by him of certain patents, rights and contracts. Later Jones agrees to surrender for valuable consideration to the treasurer of the Domestic Mfg. Co., $1,000,000 common stock and $500,000 preferred stock. Still later Jones agrees with the Domestic Company to surrender $1,000,000 preferred stock and take in lieu therefor $1,000,000 in common stock. Jones makes a further agreement with the Domestic Company to deliver to it all the stock in the Blank Company, appraised at $350,000, and to pay the Domestic Company $150,000, for which he is to receive $500,000 in preferred stock of the Domestic Company.

Illustrate by journal entries the necessary accounts to be opened in the books of the Domestic Company to show each step taken in the foregoing agreement.

46. (From Illinois C. P. A. Examination.)

A corporation's profits for the year ended December 31, 1908, amount to $451,000.00. The by-laws require a reserve equal to ten per cent. of any dividend paid to the common stockholders, and any surplus remaining after such dividend has been paid is to be applied to the reserve until it amounts to $250,000.00. The reserve at December 31, 1907, was $156,020.00. The capital is $2,000,000.00—one-half cumulative preference five per cent., and one-half common, all fully paid. On December 31, 1908, the preferred dividend is two and one-half years in arrear. On December 31, 1907, profit and loss account was in debit $202,000.00. Set out your treatment of the profit for 1908, and comment concisely on the position.

47. (From New York C. P. A Examination.)

The Prosperous Company is organized under the laws of the State of New York to conduct a manufacturing business. The authorized capital is $500,000, divided into $250,000 common and $250,000 preferred stock, par value of shares $100. Five incorporators subscribe each for one share of common stock at face value. John Peters, one of the incorporators, purchases from three manufacturing companies their complete plants for $499,500 and transfers said plants to the Prosperous Company for the remaining $499,500 of common and preferred stock and $100,000 of first mortgage 5% bonds out of a total issue of bonds amounting to $150,000, leaving $50,000 of bonds in the treasury. The incorporators then pay in cash for their respective subscriptions.

The individual assets acquired are as follows: Land and buildings, $75,000; plant and machinery, $200,000; tools, equipment and fixtures, $50,000; inventories, $100,000; accounts receivable, good, $28,000, doubtful, $5,000; cash, $12,000.

Prepare (a) opening entries for the books of the Prosperous Company, (b) initial balance sheet showing the company's financial condition.

48. The X Company is incorporated under the Business Corporation Law of Massachusetts, January 1, 1916, with an authorized capital of $100,000. One share of stock is given to each of the three incorporators, A, B and C, in order that they may qualify as directors; five shares are given to a lawyer, D, as compensation for legal services performed in organizing the corporation; an investment banker undertakes the sale of the remainder of the stock to investors less fifty shares of stock, which he is to receive as compensation for his services. The subscription books remain open until March 1. Payments for the stock are to be made in four equal instalments on the first day of March, June, September and December.

On March 1 the banker reports that all the stock is subscribed for and the first instalment is called and paid. Fifty shares of stock are issued to the banker for his services. Stock certificates are issued to all subscribers.

June 1 the second instalment is called and paid.

September 1 the third instalment is called and paid by all subscribers except F, who subscribed for 10 shares.

December 1 the fourth and last instalment is called and paid, F again defaulting on the payment of his instalment.

January 10, 1917, the treasurer of the X Company offers F's shares for sale at public auction. The shares are sold to G for $700. The expenses of the sale amount to $25. A stock certificate for the ten shares is issued to G. After deducting expenses and interest on unpaid instalments at 6% the surplus of the sale is remitted to F upon the surrender of his certificates.

a. Make necessary entries covering the above.

b. In case $400 is the highest bid at auction for the shares what action would the directors take?

c. Instead of offering F's shares for sale at auction the directors elected to bring action at law against him for the amount due from him, together with interest thereon. The action is entered on February 1, 1917, for $535, covering interest and charges. Judgment is obtained on March 1. At the end of thirty days as the judgment remains unpaid, the directors declare all amounts previously paid by him forfeited to the corporations, an entry of transfer of the stock to the corporation is made, and the original certificate is declared void.

Make necessary entries.

49. George N. Brown is an inventor and holds patent rights, processes and inventions which are used by different companies in the manufacture of gas and electric engines and electrical appliances. He decides to organize a corporation for the purpose of selling gas and electric engines, pumps, irrigation machinery and a full line of electrical appliances. A central jobbing house is to be established in Boston and selling agencies will gradually be opened in all the principal cities.

The corporation is organized under the laws of the State of Maine, March 1, 1915, the incorporators being George N. Brown and three of his business associates. The corporation name is The George N. Brown Company. The authorized capitalization is $100,000, divided into 500 shares of 7% non-cumulative Preferred Stock, par value $100 per share, and 500 shares of Common Stock, par value $100 per share. In order that the four incorporators may qualify as directors, each is given two shares of Common Stock. Brown assigns to the corporation all of his patent rights and trade marks in exchange for 100 shares of Preferred and 492 shares of Common Stock. He at once donates to the corporation all of his Preferred Stock and 242 shares of his Common Stock to be sold to procure working capital. He also assigns to each of the other three incorporators for a private consideration one-fourth of the remainder of his holding of Common Stock.

King & Co., stock brokers, are engaged to sell the Preferred and Common Stock held in the treasury, their commission to be paid in treasury stock. They sell to John White 50 shares of the Preferred Stock, taking in payment two notes, one for $3,000 and the other for $2,000, each for 3 months and bearing interest at 5%. The $2,000 note is immediately discounted at the bank at 6%. For making this sale King & Co. are given 25 shares of Preferred and 75 shares of Common Stock.

Brown is elected general manager of the company at a salary of $2,000 per year and traveling expenses. The payments made during the month of March are as follows: Office Furniture, $200; Of-

fice Rent, $50; Brown's salary for the month; organization expenses amounting to $250; this included lawyer's fee, stenographer's services, publicity, state corporation fee, corporation seal, accountant fee, corporation books of account, etc.

Make journal entries covering the above transactions, post and take a trial balance.

50. A corporation is organized to conduct a manufacturing business with a declared capital of $2,000,000, divided into 20,000 shares of the par value of $100, of which 15,000 shares or $1,500,000 shall be preferred stock and 5,000 shares of $500,000 common stock. The corporation purposes to issue $500,000 in consolidated mortgage bonds to be used toward the purchase of sundry properties. The amount of capital with which the corporation begins business is $50,000, being the proceeds of subscription for 500 shares preferred stock.

To carry out the purposes of said corporation, the real estate, water power, machinery, good will, etc., of certain existing corporations has been purchased at an appraised valuation of $2,000,000, viz., Diamond Mfg. Co., $200,000; Eureka Mfg. Co., $300,000; Champion Mfg. Co., $500,000; American Mfg. Co., $600,000; Aetna Mfg. Co., $400,000, and in payment full paid stock and bonds have been issued at par on a basis of 60% in preferred stock, 20% in common stock, and 20% in bonds.

Materials and supplies are to be paid for in cash when their value is determined.

Formulate the entry necessary to open the books of the new corporation.

51. (From Illinois C. P. A. Examination.)

As on January 1, 1890, a corporation is formed for the purpose of acquiring and conducting a cemetery, and starts business on that date with a capital stock of $100,000.00 paid for in cash. The company first purchases forty acres of land within easy access of a large city, paying for same at the rate of $1,000 per acre. It proceeds to expend considerable sums of money in the purchase and planting of trees and shrubs, laying out drives and pathways, sodding, building of glass houses, etc. The policy of the company is to withhold the selling of burial lots until after January 1, 1900, so as to allow the trees and shrubs to become more fully grown and in the expectation that with the growth of the city their property will become more valuable. In the year 1900 the company commences selling burial lots, and all lots are sold under a special provision whereby the company agrees to apply fifty per cent of all cash received on sales in the purchase of four per cent bonds until a total of $150,000.00 of such bonds shall have been so purchased. The agreement further provides that after all the lots have been sold the company will wind up its affairs and the above bonds, amounting to $150,000.00 shall be given to the city, which shall use the income of such bonds for keeping up the cemetery. It is the custom of the company not to purchase bonds until after the close of each fiscal year, and after the total sales of that year have been determined.

March, 1905, the directors of the company find that while they believe the books to be in balance, no proper entries have been recorded showing total cost of their investment, and that no entries have been made with respect to the fund of $150,000.00 from which said bonds are to be purchased. While cash dividends have been declared and paid, the directors are in ignorance of what their profits actually have been, and how much of the dividends so received have been out of their profits and how much in the nature of liquidating dividends, representing a return of their original investment. They, therefore, employ a certified public accountant to determine all these matters, and to make the necessary entries on their books, and render report to them. After determining the clerical accuracy of the books the accountant draws off the two trial balances given below, and from them prepares the necessary entries and obtains the information required by the directors.

TRIAL BALANCE

Debits:	Jan. 1, 1900	Jan. 1, 1905
Real estate	$40,000.00	$40,000.00
Improvements	45,000.00	45,000.00
Bonds	....	125,000.00
Administration expense	20,000.00	46,000.00
Upkeep of cemetery	....	45,000.00
Dividends paid	....	130,000.00
Cash	7,000.00	40,800.00
	$112,000.00	$471,800.00
Credits:		
Interest account representing interest at 4% on unexpended cash during development period	$12,000.00	$12,000.00
Bond interest account	....	9,800.00
Sale of lots	....	350,000.00
Capital stock	100,000.00	100,000.00
	$112,000.00	$471,800.00

An inventory of their unsold lots as on January 1, 1905, shows that they have ten acres left unsold of equally desirable character with that already sold. Draw up entries, prepare profit and loss account for period and balance sheet as on January 1, 1905, in same manner as if you had been the accountant engaged. In any interest calculation use 4 per cent. Simple interest.

52. (From Michigan C. P. A. Examination.)

A corporation is organized under the laws of the State of Michigan, with Capital Stock $250,000.00, of which $100,000.00 is preferred and $150,000.00 is common stock, shares $100.00 each. The purchasers of preferred stock at par are to receive an equal amount of common stock free, all the preferred stock is subscribed and paid for, leaving $50,000.00 of common stock unsubscribed. It is found that the remaining common stock cannot be sold for sufficient cash for requirements and the holders of preferred stock donate to the Treasury $50,000.00 of their common stock. The common stock is sold at 50c on the dollar.

Provide journal entries covering the above.

Section 2—Changing a Partnership to a Corporation

53. Adams, Brown & Co., a partnership conducting a manufacturing business, conclude to incorporate.

A Balance Sheet taken on December 31, 1916, shows the following assets and liabilities:

Balance Sheet, December 31, 1915

Cash	$5,000.00	Accounts payable	$40,000.00
Accounts receivable	30,000.00	Adams capital	50,000.00
Plant and Sundry Assets	155,000.00	Brown capital	50,000.00
		Clarkson capital	25,000.00
		Davidson capital	25,000.00
	$190,000.00		$190,000.00

Profits and losses are shared in proportion to capital investments.

On January 1 they incorporate the Tremont Manufacturing Company with a capital stock of $200,-000, consisting of 1000 shares each of common and preferred stock with a par value of $100.

All assets are taken over by the new corporation except cash and the liabilities are assumed; in exchange for the property of the old firm, 900 shares each of preferred and common stock are issued

to the partners in the proportion shown by their capital accounts, which stock including the cash on hand is distributed equitably among the partners. The remaining stock is subscribed for at par by outside parties, their subscriptions being paid in full on January 15th.

On February 1, the four incorporators donate to the corporation $20,000 of common stock in proportion to their holdings to be sold to produce further working capital.

April 1, 100 shares of the donated stock is reported sold at an average price of 75.

a. Entries to close partnership books.

b. Entries to open corporation books and to record succeeding transactions.

c. Balance sheet of the Tremont Manufacturing Company as of April 1, 1916.

54. James Potter and Henry Pickett have been partners in the wholesale drug business for a number of years. They decide to incorporate, and a corporation to be known as the National Drug Company is organized under the laws of Maine, with a capital stock of $80,000, $60,000 of which is 6% Preferred Stock, and the remainder Common Stock.

The Balance Sheet of the partnership on July 1, the date of incorporation is as follows:

Assets:		Liabilities:	
Cash	$2,000.00	Notes payable	$2,000.00
Real estate	40,000.00	Accounts payable	8,000.00
Accounts receivable	20,000.00	James Potter, capital	30,000.00
Notes receivable	5,000.00	Henry Pickett, capital	30,000.00
Furniture and equipment	3,000.00		
	$70,000.00		$70,000.00

All of the preferred stock is issued in equal parts to Potter and Pickett in exchange for the net assets of the old business. The common stock is all subscribed for at par by outsiders, and their subscription is paid August 15th.

Show in journal form the entries necessary to bring on the corporation books the assets acquired and the liabilities assumed together with the issue of both classes of stock.

The Company closed its books December 31, at which time the Profit and Loss Statement showed a net profit of $5,496.83. The regular quarterly dividend was declared on the preferred stock and a dividend of 2% on the common stock, payable January 15.

Show entries for closing the Profit and Loss account, for the declaration of the dividends and their payment.

55. (From Washington C. P. A. Examination.)

A and B were partners, trading under the name of A, B & Co. June 30, 1908, the following balance appears on their ledger:

A, Capital account	$70,000.00
B, Capital account	50,000.00
Real estate	22,000.00
Buildings	20,000.00
Machinery and tools	44,000.00
Furniture and fixtures	2,000.00
Accounts receivable	50,000.00
Cash	7,000.00
Materials and merchandise	53,000.00
Accounts payable	35,000.00
Bills payable	48,000.00
Bills receivable	5,000.00

On June 30, 1908, the business is incorporated as the X Company, on the following plan:

1. Capital stock, $150,000.00.

2. X Company takes over the entire assets and liabilities of A, B & Co. at the book figures as above, except (a) real estate of the book value of $5.000, which is retained by A, B & Co.; (b) the accounts receivable, which are taken over at $48,000, and (c) the capital accounts of the partners.

3. X Company pay A, B & Co. $30,000 for the good will of the business.

4. Payments to A, B & Co. are made as follows, viz.: $50,000 in first mortgage bonds, and the balance in capital stock of X Company.

5. After paying off A, B & Co. the remainder of the capital stock is sold for cash to sundry persons.

The real estate which is retained by A, B & Co. is bought from A, B & Co. by A, for $7,000, and is charged to A's capital account.

After the conclusion of the foregoing described transactions A and B dissolve partnership.

You are required:

a. To prepare closing entries for the books of A, B & Co.

b. A statement setting forth the partners' accounts down to their final closing, beginning with the balances shown by the books on June 30, 1908.

c. Opening entries for the X Company.

56. (From Boston High School Examination for Commercial Teachers.)

Shaw & Co., a partnership conducting a manufacturing business, conclude to incorporate. The firm has the following assets and liabilities:

Cash	$5,000.00	Accounts payable	$20,000.00
Accounts receivable	30,000.00	Shaw, capital	45,000.00
Plant and sundry assets	165,000.00	Mace, capital	45,000.00
		Laird, capital	45,000.00
		Page, capital	45,000.00
	$200,000.00		$200,000.00

They incorporate the Shaw Manufacturing Co. with an authorized capital of $200,000 divided into 1000 shares of 7% preferred stock and 1000 shares of common stock, both classes of stock at $100 par value. Each partner is to receive $25,000 of the preferred stock and $20,000 of the common stock for his share in the business. The remainder of the stock is to be held for sale.

Make Journal entries for the following:

The partnership books are to be closed.

The corporation books are to be opened.

Each of the four shareholders donates to the corporation $5000 of the common stock to be sold at such price as will produce immediate cash capital.

Sold the donated stock at 95, for half cash and half note.

Sold for cash 50 shares common stock at 105.

The net profits for the year were $17,000.

A dividend was declared on the preferred stock, and a dividend of 6% was declared on the shares of common stock outstanding.

At the end of the second year all stock had been sold. The net profits were $11,000. To declare the preferred dividend and a dividend of 6% on the common stock, it became necessary to apply profits earned during the preceding year.

A bond issue of $50,000 was authorized. At the end of three months $10,000 of the bonds were sold at 101 and accrued interest amounting to $125.

Three months later $10,000 of bonds were sold at 98 and accrued interest, $250. At the end of the year bond interest was paid, $1,000. $2,498.75 was set aside as the first instalment of the sinking fund.

57. (From Washington C. P. A. Examination.)

J. Smith's Balance Sheet showed the following Assets and Liabilities:

Land and building	$750,000.00
Merchandise	500,000.00
Work in progress	213,000.00
Sundry debtors	275,000.00
Patent rights	40,000.00
Cash at bank	25,000.00
Sundry creditors	250,000.00
Sundry bills payable	30,000.00

A corporation (J. Smith, Sons & Co.) was formed to purchase the business for the sum of $1,750,000.00, payable $500,000.00 in common stock, $500,000.00 in preferred stock, $500,000.00 in 4½% debentures, and the balance in cash, the company agreeing to take over the assets of J. Smith (with the exception of the bank balance) and to assume the liabilities to creditors.

The capital stock of the company was $2,000,000.00, divided into 250,000 common and 150,000 preferred shares of $5.00 each.

50,000 shares of common stock and the balance of the preferred stock were offered for sale to the public, payable 25% on application, 25% on allotment and 50% one month after allotment. These shares were all sold and were allotted by the company on March 1, 1910.

By June 30, 1910, all moneys due thereon had been received by the company except the amounts due on allotment and call accounts in respect of 200 common and 100 preferred shares, and the directors had paid the cash indebtedness to the vendor and the organization expenses of $25,000.00 and had declared the shares forfeited upon which allotment and calls were in arrears.

Give the entries which should appear to record these transactions in the company's journal, cash book and ledger. Give also the company's balance sheet after the opening of the books.

Section 3—Consolidations

58. (From Pennsylvania C. P. A. Examination.)

A is an operating company and B is a holding company. The following statements are taken from the books of the respective companies, viz.:

A COMPANY

Assets:		
Cash on hand	$35,000.00	
Book accounts receivable	25,000.00	
Stock inventory	21,000.00	
		$81,000.00
Prepaid accounts		7,000.00
Sinking fund trustee		15,000.00
Premiums on sinking fund bonds		700.00
B Company advances		45,000.00
Investments, B Company stock		25,000.00
Other investments		5,000.00
Plant, franchises, etc		1,400,000.00
		$1,578,700.00

Liabilities:

Book accounts payable	$12,000.00	
Wages	8,000.00	
Bills payable	50,000.00	
Accrued accounts	12,000.00	
		$82,000.00
Reserve accounts		65,000.00
Bonds		750,000.00
Capital stock		500,000.00
Surplus		181,700.00
		$1,578,700.00

B COMPANY

Assets:

Cash on hand	$14,000.00	
Accounts receivable	6,000.00	
		$20,000.00
Investments:		
A Company's stock	$500,000.00	
Other investments	500,000.00	
		1,000,000.00
Plants, franchises, etc.		1,250,000.00
Deficit		22,000.00
		$2,292,000.00

Liabilities:

Book accounts payable	$7,000.00	
Bills payable	130,000.00	
Accrued accounts	10,000.00	
		$147,000.00
Due A Company		45,000.00
Bonds issued		1,100,000.00
Capital stock issued		1,000,000.00
		$2,292,000.00

Prepare a statement combining the assets and liabilities of the two companies.

59. The Smith Brewing Co. with $1,000,000 capital stock, the Young Brewing Co. with $500,000 capital stock, and the Star Brewing Co. with $400,000 capital stock, agreed to consolidate as the Universal Brewing Corporation, the new company to buy all the properties of the old companies at a valuation to be fixed by appraisal, payment therefor to be made in full-paid stock of the new company, the old companies to pay off their own indebtedness.

The appraised values of the old companies are as follows:

	Smith	Young	Star
Real estate and buildings	$680,000	$327,000	$126,000
Plant	390,000	160,000	71,000
Cash	15,000	3,000	1,000
Bills receivable	10,000	6,000	.....
Horses, wagons and harness	4,000	3,000	1,500
Office furniture	1,000	1,000	500
Total	$1,100,000	$500,000	$200,000
Total appraised value			$1,800,000

On this valuation the Universal Brewing Corporation issued $2,000,000 of stock, shares $100 each, which was divided pro rata among the old companies on the basis of their appraised value, no fractional shares of stock to be issued, odd amounts to be paid old companies in cash.

Give journal entries to set up property accounts and credit old companies with their pro rata on the books of the new company.

At the time of the consolidation the ledger accounts of the Star Brewing Company were as follows:

Real estate and buildings	$250,000
Plant	247,000
Cash	1,000
Horses, wagons and harness	1,800
Office furniture	1,200
	$501,000
Capital stock	$400,000
Bills payable	50,000
Accounts payable	51,000
	$501,000

Make the proper journal entries to liquidate in stock of the new company the liabilities other than capital stock, to apportion the remaining stock and cash, and to close the books of the Star Brewing Company.

60. (From Massachusetts C. P. A. Examination.)

A. B. Co. was an old established corporation with a capital stock liability of $600,000. C. D. Co. was a corporation, organized June 1, 1907, at which time it issued, for cash, $1,000 of $600,000 capital stock authorized. The $1,000 capital stock issued by C. D. Co. was acquired by A. B. Co., June 1, 1907. The par value of the shares of both corporations was $100. December 31, 1907, C. D. Co. bought of A. B. Co., all of the latter's property, except the ten shares stock of C. D. Co., and assumed all of the debts of A. B. Co.; issuing to the latter, in settlement therefor, the remainder of C. D. Co's. authorized capital stock; entered, in its books, the property acquired and debts assumed, at the respective amounts shown in the books of A. B. Co.; and continued as a going concern. At the same date, A. B. Co. liquidated its affairs, distributing to its shareholders the capital stock which it received from C. D. Co.

Balance Sheet of A. B. Co., December 31, 1907

Cash advanced to C. D. Co., December 31, 1907	$21,800	C. D. Co., current account	$31,600
Notes receivable	42,000	Notes payable	125,000
Accounts receivable	145,200	Accounts payable	43,400
Merchandise	540,000	Capital Stock Acct.	600,000
Real estate and machinery	150,000	Profit and Loss Acct.	100,000
Stock of C. D. Co.	1,000		
	$900,000		$900,000

The trial balance of C. D. Co. contained a credit: "Cash advanced by A. B. Co., December 31, 1907, $21,800"; and a debit: "A. B. Co., Current Account $31,600." Write the journal entries, stating sufficient explanation for each, to close the books of A. B. Co., and to spread the above transactions of December 31, 1907, on the books of C. D. Co.

61. (From Massachusetts C. P. A. Examination.)

Prepare a consolidated balance sheet of "A Company," a manufacturing corporation which also controls through stock ownership "B Company."

The following are trial balances of the books, December 31, 1915.

A COMPANY

	Dr.	Cr.
Real estate	$200,000.00	
Machinery and equipment	100,000.00	
Accounts receivable	50,000.00	
Cash	10,000.00	
Inventories, Dec. 31, 1915	75,000.00	
Shares "B Company"—300 shares, par $100	35,000.00	
"B Company" current account	5,000.00	
Capital		$400,000.00
Accounts payable		30,000.00
Bills payable		20,000.00
Surplus		19,000.00
Profit and loss for 1915		6,000.00
	$475,000.00	$475,000.00

B COMPANY

	Dr.	Cr.
Accounts receivable	$45,000.00	
Stock on hand, Dec. 31, 1915	25,000.00	
Cash	5,000.00	
Treasury stock, $100 share cost	11,000.00	
Furniture and fixtures	3,500.00	
Surplus		$20,000.00
"A Company" current account		4,500.00
Accounts payable		10,000.00
"A Company" drafts accepted		5,000.00
Capital stock (500 shares, par $100)		50,000.00
	$89,500.00	$89,500.00

The stock on hand of the "B Company" was manufactured by "A Company" and billed to "B Company" at 10% in excess of cost at which value it is taken in the inventory. The difference in the inter-company current accounts consists of a note issued by "B Company" in settlement of a claim for damages but not entered on the books and was paid by "A Company." The "B Company" directors declared a dividend of 1½% on December 15, 1915, payable January 15, 1916, which has not been entered on the books.

62. (From Massachusetts C. P. A. Examination.)

Smith Company and Jones Company being pressed by their bankers and obliged to pay off their loans, agree to consolidate. Their liabilities, capital and earnings are as follows:

	Smith Co.	Jones Co.
Common stock	$200,000.00	$100,000.00
Five per cent bonds	100,000.00	Nil
Six per cent loans	25,000.00	50,000.00
Surplus	30,000.00	Nil
	$355,000.00	$150,000.00
Together		$505,000.00
Earnings available for interest and dividends	$22,500.00	$10,000.00
Together		$32,500.00

Smith Company issue $100,000 additional common stock and $100,000 additional bonds and buy up Jones Company which will be liquidated. The total expenses of liquidation and issue of new stock and bonds amount to $10,000, and the cash balance will be increased by $15,000. No increased profits are anticipated from the consolidation but it is considered that the earnings of $32,500 can be maintained. Owing to the condition of Jones Company it is decided that its stockholders should receive $1,000 less income per annum.

a. How much of the $100,000 of additional capital stock of Smith Company should be issued to the stockholders of Jones Company, and how much is available for stock dividend to Smith Company stockholders?

b. Show the entries to record all the transactions on the books of Smith Company.

Section 4—Sinking Funds

63. (From Massachusetts C. P. A. Examination.)

X. Y. Z. Corporation has an authorized issue of $5,000,000 first mortgage 5% bonds, in $1,000 denominations; $2,502,000 of these are in the hands of the public, and the balance in escrow in the hands of trustees, to be taken down only to take up the bonds of underlying companies, or for new construction up to 80% of the expenditures; but the net earnings above operating expenses and taxes for the previous year must equal at least 1¾ times the interest on all outstanding bonds including those to be taken down. The net earnings for a certain year were $273,990.44. There were also in the hands of the public the following bonds of subsidiary companies: $106,000 5s, and $295,500 4½s. The expenditures for construction amounted to $300,000.

State how many bonds can be taken down for construction, showing how you arrive at the result.

64. (From Massachusetts C. P. A. Examination.)

Prepare a balance sheet at June 30, 1916, from the following data:

The X. Y. Z. Company was incorporated January 1, 1914, with 5,000 shares of stock having no par value; $200,000.00 was paid into the company for which 3,000 shares of stock were issued, 2,000 shares and $50,000 were given for water-power rights and land valued at $150,000, and $100,000 was expended in constructing and equipping an electric power plant which started operating July 1, 1914. Organization expenses were $2,000. Salaries and office expenses up to July 1, 1914, were $10,000.

After operating a few months it was decided to build an additional power plant to finance which $200,000 par value 1st mortgage 5% 20-year bonds (interest semi-annually) were issued in denominations of $500 and $1,000 and sold at 98 on January 1, 1915. The construction expenditures for the new plant were $175,000 and it was completed and put into operation July 1, 1915.

The mortgage deed of trust provides that a sinking fund of $5,000 be set aside on December 31st of each year out of profits for the first ten years and $15,000 per year thereafter with which to retire bonds at 101 each year. The two power plants have been depreciated at the rate of 5% per annum on the cost, starting from the date when operations commenced. The gross earnings from July 1, 1914, to June 30, 1916, were $85,000, of which $45,000 was collected, and the operating costs paid, exclusive of depreciation, were $40,000.

65. (From Massachusetts C. P. A. Examination.)

A corporation authorized a total issue of $500,000 of 5% bonds in denominations of $1,000 and $500 with interest payable January 1st each year and sold the whole issue to underwriters January 1, 1914, at 90. The company issued the bonds for the underwriters at 95 and received the cash in payment February 1, 1914.

The trust deed provides that "there shall be established a fund to be called the Bond Sinking Fund, to the account of which there shall on the 31st day of December of each year be carried a sum equal to seven per cent of the total par value of the bonds issued, and that, out of the moneys so carried to the account of the said fund, the company shall pay the interest on the bonds as the same becomes due, and the balance of said moneys shall be expended each year in purchasing the bonds of the company in the open market."

In January, 1915, the company purchased $10,000 of its bonds at 97 and retired and cancelled them. In January, 1916, the market price of the bonds is 98.

a. How many bonds may be purchased from the Bond Sinking Fund in January, 1916?

b. Make journal entries for all the transactions from the date of the sale of the bonds to and including the purchase for the Sinking Fund in January, 1916.

c. Show trial balance after posting above entries.

Section 5—Receiverships and Bankruptcy

66. The John Smith Company finds itself in financial difficulties and the proper legal proceedings having been followed, a trustee is appointed to take charge of the affairs of the concern. The following trial balance was taken from the books on October 1, 1916:

JOHN SMITH COMPANY

Trial Balance—October 1, 1916

Cash on hand	$30.00	Accounts payable	$8,000.00
Cash in bank	250.00	Notes payable	2,000.00
Merchandise	1,300.00	Loan payable	1,300.00
Accounts receivable	5,850.00	Notes receivable Disct.	1,500.00
Machinery	3,000.00	Mortgage payable	7,000.00
Real estate	12,000.00	Wages accrued	150.00
Securities owned	1,500.00	Taxes accrued	60.00
Deficit	1,080.00	Capital stock	5,000.00
	$25,010.00		$25,010.00

Of the items listed above, it is estimated that the merchandise on hand will sell for $950; of the accounts receivable $4,000 are thought to be good, $1,200 bad, and $650 doubtful of collection, and it is estimated that about $4,100 will be collected; the machinery will bring $1,000 at forced sale; the real estate is appraised at $9,000 and is mortgaged for $7,000; the securities owned have a market value of $1,000 and are pledged as collateral for a loan made to the company amounting to $1,300.

In order to realize on the merchandise on hand to the best advantage the trustee made purchases amounting to $3,500, of which $1,500 was for cash, and the entire stock of merchandise was disposed of for $4,350. The trustee collected $4,400 on accounts receivable. The machinery was sold for $1,000. The real estate was sold for $9,500, of which $7,060 went to the mortgagee for principal and interest. The securities were sold for $1,035.

The payments made by trustee on account of expenses were as follows: wages, $760; taxes, $60; office expenses, $350; trustee's commissions, $250.

Interest on cash on deposit was allowed, $15.00. After the liquidating expenses and preferred claims had been paid, the cash remaining in the business was distributed among the unsecured creditors in the proper proportion.

The outstanding stock certificates are then canceled and the affairs of the company permanently closed.

Prepare Realization and Liquidation account and Trustee's cash account.

67. (From Massachusetts C. P. A. Examination.)

The accounts of a partnership include:

Cash	$1,400.00
Merchandise	15,000.00
Accounts receivable	20,000.00
Notes receivable	4,000.00
Machinery	7,000.00
Real estate	5,000.00
Investments	2,500.00
Mortgage payable on real estate	3,000.00
Notes payable	16,000.00
Accounts payable	35,000.00
Taxes due	500.00
Wages due	1,000.00
Rent due	700.00
Notes receivable discounted	3,000.00
Partners accounts	12,000.00

All the investments are pledged as collateral on $1,500 Notes Payable. Of the Accounts Receivable, $1,000 are considered bad, $2,500 doubtful and worth 50% of book value, and the balance good. Real Estate is undervalued 10%. Merchandise is subject to a discount of 25%. Machinery is overvalued 25%. $2,000 Notes Receivable Discounted has been paid by makers. Expense of liquidation estimated to amount to $1,500. The partners have personal estates valued at $4,000.

Prepare such statements as seem desirable under the circumstances, and state probable amount for distribution among creditors.

68. (From Illinois C. P. A. Examination.)

On December 1, 1907, the following particulars are furnished of the position of John Mapleton, insolvent: Factory equipment cost, $15,000.00; estimated to realize $10,000.00. Stock of finished goods, $10,000.00; estimated worth, $7,500.00. Material and supplies, $2,500.00; estimated worth, $1,-000.00. Furniture and fixtures, $900.00; estimated worth, $200.00. Investments valued at $25,275.00, of which $15,000.00 is held by bankers as security for loan of $12,000.00. Accounts receivable, $6,-250.00, of which $2,500.00 are good, $1,250.00 bad, and $2,500.00 estimated to realize $1,500.00. Cash, $575.00, of which $25.00 represents petty expense items not charged up, and $50.00 and I. O. U. of a former employe which is worthless. Accounts Payable, $28,500.00. Bills Payable, $25,000.00, of which $12,000.00 is due bankers. Wages due, $500.00. Rent due and past due, $1,000.00. Capital on January 1, 1907, as shown by books, $15,000.00. Loss by sale of investment, May 1, 1907, $5,000.00. Loss in trading account January 11, 1907, to December 1, 1907, $3,500.00. Drawings charged personal account of John Mapleton, $1,000.00.

Make up a Statement of Affairs and a Deficiency account.

69. (From Missouri C. P. A. Examination.)

The following is a trial balance of the books of the X. Y. Z. Mfg. Company, which has been declared bankrupt:

Trial Balance at June 30, 1914

	Dr.	Cr.
Real estate and buildings	$125,000	......
Capital stock	......	$300,000
Machinery and equipment	160,000	......
Customers' accounts receivable	170,000	......
Notes payable	......	250,000
Accounts payable	......	312,000
Insurance premiums unexpired	3,000	......
Mortgage on buildings	......	65,000
Notes receivable	26,000	......
Interest accrued on mortgage	......	2,500
Cash on hand and in bank	6,500	......
Inventory of raw material	85,000	......
Inventory of finished goods	121,000	......
Investments	12,000	......
Deficit	221,000	......
	$929,500	$929,500

The real estate and buildings are appraised at $101,000.00 and the machinery and equipment at $135,000.00. An examination of the customers' accounts shows the following condition: Good, $95,000.00. Doubtful (expect to collect 33 1/3%), $51,000.00. Bad, $24,000.00. The holders of the notes payable of $12,000.00 hold notes receivable in security of face value of $15,000.00, but worth only $10,000.00. A creditor of $55,000.00 on open account has in his possession the stock certificates for the investments assigned in blank and finished goods pledged to the value of $16,000.00. The insurance premiums unexpired have a cash value of $2,200.00. An examination of the notes receivable shows $9,000.00 good for collection and $17,000.00 doubtful on which 50% will be collected. The investments have a marketable value of $16,500.00.

Prepare statement of affairs for submission to creditors showing the amount on the dollar the creditors may expect to receive; also prepare deficiency statement.

70. (From Examination for Admittance to the American Institute of Accountants.)

BALANCE SHEET OF AB

Real estate	$140,000.00	Capital	$229,652.00
Equipments	75,150.00	Mortgages on real estate	75,000.00
Patents	54,700.00	Accounts payable	124,615.24
Investments	33,500.00	Notes payable	80,000.00
Cash	4,348.64	Reserve for depreciation	821.00
Notes receivable	2,479.75		
Accounts receivable	31,108.15		
Inventories	81,423.70		
Good will	40,000.00		
Trading losses	47,378.00		
	$510,088.24		$510,088.24

Ab, whose balance sheet appears above, having been unfortunate in business, goes into liquidation. Prepare statement of affairs and deficiency account.

The real estate is valued at $90,000, the equipment at $30,000. The patents are considered worthless, with the exception of one thought to have a market value of $5,000. Bonds, with a par value of $27,500, were pledged to secure a collateral loan of $25,000. These have, however, shrunk in value so

as to be worth at present prices only $22,000. Included in investments are $5,000 other bonds which are clearly worthless; the other investments have a doubtful value of 50 per cent. The notes receivable are thought to be good. Of the accounts receivable $10,000 are known to be good, $5,000 are known to be bad, and the remainder are expected to pay 80 per cent. The inventories are estimated as worth not more than half of their book value. Good will is purely fictitious. Interest accrued on the mortgage is $800, on notes payable, $523. Wages accrued are $1,200.

Assuming the foregoing estimates of value are correct and the expenses of liquidation amount to $3,000, what percentage of their claims will the general creditors receive?

PART IV

FINANCIAL STATEMENTS

71. Walter G. Hill, Trial Balance, December 31, 1916.

Land (cost)	$20,750.00	
Wharves and structures (book value)	12,625.00	
Office building (book value)	9,726.00	
Horses, wagons and equipment (book value)	4,221.40	
Office equipment (book value)	2,169.75	
Cash	6,785.90	
Accounts receivable	149,678.40	
Notes receivable	2,560.00	
Office supplies in hand	240.00	
Inventory December 31, 1915 (cost)	90,284.50	
Accounts payable		$52,869.36
Notes payable		40,000.00
Sales		734,432.46
Sales returns and allowances	12,738.60	
Purchases	608,205.75	
Purchase returns and allowances		14,768.91
Wages of yardmen and helpers	9,689.42	
Stable expenses	6,139.60	
Selling expenses	27,196.41	
General administrative expenses	46,132.90	
Interest on notes receivable		462.91
Loss on Bad accounts and notes receivable	1,624.00	
Cash discounts on purchases		1,729.42
Cash discounts on sales	960.47	
Interest on notes payable	400.00	
Walter G. Hill—capital account		170.842.10
Walter G. Hill—drawings account	2,977.06	
	$1,015,105.16	$1,015,105.16

Inventory December 31, 1916, $72,237.60.

Mr. Hill conducts a lumber business in Boston.

The real estate consists of waterfront property and includes wharfage, office building, stable and sheds for the storage of lumber.

The charges for freight and towing are added to the invoice cost of the lumber when it is received and is charged directly to the purchases account.

The yardmen and helpers unload and pile the lumber and load the teams when orders are filled.

Stable expenses include stable supplies used, repairs to wagons, fodder, veterinary's charges, depreciation and wages of drivers.

REQUIRED:

a. Profit and Loss Statement.

b. Balance Sheet (fixed assets first).

c. Closing entries.

d. Mr. Hill's business is a growing one and he desires to expand it considerably. With this idea in mind he applies at his bank for a loan of $60,000.00 for the purchase of a lot of land adjoining his present property and the erection of new structures. He submits the statements which you have just prepared as a basis for the loan. Would you, as credit manager of the bank, approve this loan? Give reasons for your answer.

72. Johnson and Marvin, Adjusted Trial Balance, June 30, 1915.

Office furniture (book value)	$1,625.00	
Store furniture and fixtures (book value)	3,970.00	
Machinery (book value)	2,260.00	
Cash	37,902.40	
Imprest cash fund	250.00	
Accounts receivable	167,842.60	
Amounts due from consignees	28,249.00	
Notes receivable	66,209.40	
Interest accrued on notes receivable	1,780.50	
Merchandise on hand, Dec. 31, 1914 (cost)	160,263.75	
Goods in hands of consignees (cost)	20,189.50	
Insurance prepaid	2,940.83	
Stationery on hand	540.00	
Accounts payable		$160,290.40
Notes payable		95,530.50
Interest accrued on notes payable		1,650.80
Taxes accrued		780.00
Sales		690,607.00
Sales returns and allowances	7,890.60	
Purchases	532,738.00	
Purchase returns and allowances		8,921.20
Freight inward	2,769.80	
Sales of consigned goods (gross profit)		26,170.80
Advertising	25,962.50	
Salaries of salesmen	47,580.00	
Traveling expenses	48,260.25	
Delivery expense	5,445.70	
Miscellaneous store expense	6,699.22	
Office salaries	23,752.80	
Office supplies used	19,260.50	
Taxes and insurance	5,326.70	
Altering and trimming department expenses	5,740.90	
Commissions	24,236.50	
Interest earnings		5,290.00
Interest charges	10,250.15	
Cash discounts on purchases		4,659.00
Cash discounts on sales	1,769.80	
J. T. Johnson—capital		194,460.00
J. T. Johnson—drawings	19,763.00	
C. R. Marvin—capital		98,346.00
C. R. Marvin—drawings	5,237.00	
	$1,286,706.40	$1,286,706.40

Merchandise on hand June 30, 1915 (cost), $210,730.00.

COMMENTS:

Messrs. Johnson and Marvin conduct a wholesale millinery business. They rent the second and third floors of a large building in the wholesale district of Boston. Profits are shared in the proportion of two-thirds to Mr. Johnson and one-third to Mr. Marvin.

In this line of business there are two busy seasons, from January 15 to April 15, and from August 1 to October 1. The chances of goods suddenly becoming more or less unsaleable because of changing styles and the possibility of purchasing goods which will not appeal to the buying public are large. While profits are large they must necessarily be so, for the busy seasons must pay for the dull. If a business of this kind is well conducted, when the semi-annual statements are made out the stock should be pretty well reduced and the business of the past season cleaned up in so far as possible. This is essential in order that the business may be in proper shape to start upon the activities of the approaching season.

The concern owns several sewing machines and other small machines which are used in remodeling and trimming hats, either to suit the requirements of purchasers or because certain styles have become unsaleable. This work is carried on in a separate room. The expenses of this department, which include wages of operators, supplies used, etc., are charged to an account called "altering and trimming department expenses." Inasmuch as these expenses effect the cost of the goods sold, they should be included in that part of the Profit and Loss Statement which is used to arrive at the gross profit on sales. Presumably a certain proportion of these expenses is included in the cost of goods on hand.

The concern makes a practice of sending out certain goods on consignment to be sold for a commission by the consignees. When a shipment of this kind is made and entry is made, an entry is made debiting "Goods in Hands of Consignees" and crediting "Purchases" for the cost of the goods shipped. When the goods are reported sold an entry is made crediting "Sales of Consigned Goods" for the selling price, charging "Commission" for the commission charged by the consignee and "Amounts Due from Consignees" for the difference between the commission charged and the selling price. Another entry is then made debiting "Sales of Consigned Goods" and crediting "Goods in Hands of Consignees" for the cost of the goods sold. Cash received from consignees is credited to the "Amounts Due from Consignees" account through the Cash Book. The balance of the "Sales of Consigned Goods" account thus shows the gross profit on sales of consigned goods. When making up the Profit and Loss Statement this figure should appear just below and as an addition to the gross profit and sales made by the home office in order to arrive at the total gross profit on sales.

REQUIRED:

a. Profit and Loss Statement.

b. Balance Sheet (current assets first).

c. Write up the closing entries up to and including the point at which the gross trading profit is closed into the Profit and Loss account (omit explanations, but skip a line between each entry).

d. On July 15, 1915, the concern applied to the First National Bank for a loan of $50,000.00. Would you, as credit man for the bank, approve this loan, basing your decision on the statements just made up? Give reasons for your answer.

e. The inventory of June 30, 1915, is stated at $210,730. Of this amount $1,680 was included as the proper proportional part of the altering and trimming department expenses for the period. Of the remaining $209,050 how much represents the invoice cost of the proper portion of freight inward?

f. The firm operates a "Voucher Register" as a part of its accounting system. Rule up and supply heading for what you think would be a suitable voucher register for this business.

73. G. W. Brown & Co., Trial Balance, June 30, 1914.

G. W. Brown, capital		$10,452.74
L. L. Logan, capital		10,340.24
Merchandise	$3,342.80	
Expense	549.62	
Merchandise discount	133.77	217.21
Furniture and fixtures	207.90	
Real estate	7,125.00	
Discount	32.11	81.77
Interest	2.04	25.24
Bills receivable	1,317.72	
Accounts receivable	2,559.94	
Bills payable		2,742.27
Accounts payable		4,686.37
Shipment No. 1	302.50	336.87
Shipment No. 2	518.60	484.50
Shipment No. 3 (cost)	1,955.00	
Cash	11,320.21	
	$29,367.21	$29,367.21

There is no merchandise on hand, as a fire on the 25th destroyed most of the goods; the portion of the goods damaged by the fire was sold in bulk to Fletcher Bros. at a nominal price.

The building at 246 Main St. was also burned; the lot on which the building stood is estimated to be worth $6,000.

Furniture and Fixtures were a total loss.

No returns have been received from Shipment No. 3; it is valued at cost, as shown in the trial balance.

An analysis of the Merchandise account shows the following: Inventory June 1, $3,372.55; Purchases for June, $14,152.39; Freight and Cartage In, $377.32; Sales to time of fire, $10,059.46; Sale of goods damaged by fire to Fletcher Bros. for $1,500; insurance received on stock lost by fire, $3,000; cost of goods destroyed by fire, $[illegible],920.38; cost of goods shipped to commission merchants, $2,745.50.

Make adjusting entry necessary to close the Merchandise account and open accounts with the following: Inventory, purchases, sales, freight and cartage in, fire loss.

An analysis of the Real Estate account shows a debit representing cost of $12,125 and a credit of $5,000, being insurance received on the building.

The Capital Account of G. W. Brown shows New Worth of $10,240.24, brought down from May, plus a credit for salary of $125 and for traveling expenses paid from his personal funds of $87.50; the account of L. L. Logan shows investment of $10,240.24, plus a credit for salary of $100.

a. Make adjusting entries necessary.

b. Adjusted Trial Balance.

c. Statement showing Fire Loss.

d. Profit and Loss Statement showing first the profit on sales to time of fire, followed by the final net loss.

e. Balance Sheet.

f. Closing Entries.

74. Taylor, Wood & Co., Trial Balance, September 30, 1914.

F. H. Taylor, capital		$16,578.04
C. F. Woods, capital		24,831.48
L. F. Johnson, capital		2,602.03
F. C. Taylor, drawing	$100.00	
C. F. Wood, drawing	50.00	
L. F. Johnson, drawing		35.00
Notes receivable	1,000.00	
Interest	35.04	
Accounts receivable	10,740.46	
Inventory, September 1	23,525.05	
Shipping supplies	196.50	
Office supplies	192.75	
Insurance	267.50	
Horses and wagons	742.50	
Furniture and fixtures	2,475.00	
Real estate	12,150.00	
Notes payable		5,000.00
Accounts payable		7,181.84
Traveling expenses	225.00	
Rent	300.00	
Discount	3.60	
Freight inward	47.59	
Purchases	7,597.27	
Wamsutta Mills stock	1,150.00	
Office salaries	655.00	
Shipping Department salaries	65.00	
Delivery expenses	111.75	
Sales		10,593.69
Discounts on purchases		61.27
Discounts on sales	112.43	
Collection and exchange	7.45	
Returned purchases		297.84
Returned sales	172.20	
Reserve for bad debts		121.60
Office expenses	15.00	
Cash	5,365.70	
	$67,302.79	$67,302.79

The above accounts are representative of a wholesale dry goods business conducted by three partners under the firm name of Taylor, Wood & Co. The trial balance covers a period of one month.

The merchandise on hand September 30 amounts to $22,372.76; furniture and fixtures are valued at $2,450; horses and wagons, $735; insurance unexpired, $260; shipping supplies on hand, $93.25; office supplies on hand, $106.50; real estate, $122.50; Wamsutta Mills stock, $1,150.

The note of the firm for $5,000 is a demand note issued September 26 and bearing interest at 6%; the note of $1,000 held by the firm was received on September 9.

The Real Estate owned by the firm is a building at 74 Chestnut St., which cost $12,000, and which is occupied by a tenant. At the time of closing the books on August 31 the value of the property was increased to $12,250; on that date rent accrued for August of $100 was charged to the Real Estate account; September 2, $200 rent was received from the tenant for August and September, which was credited to Real Estate, leaving the present balance of $12,150.

The building occupied by the firm for business purposes is rented at $300 per month.

The ten shares of Wamsutta Mills stock were bought on August 13 for $105 per share; the book value was increased August 31, at the time of closing the books, to $1,150. No dividend has been received on the stock.

One per cent. of the gross sales is to be set aside as a reserve for bad debts.

By the terms of the partnership agreement 6% interest is to be allowed each partner on his capital account. Taylor is allowed a monthly salary of $150; Wood, $200; Johnson, $225. The salary of each partner for September has been credited to the respective drawing accounts.

An analysis of the Interest account shows interest accrued on notes receivable as of August 31, $12.75; interest accrued on notes payable, $166.67; interest paid during September, $208.33; interest received, $19.37.

The following are required:

a. Adjusting Entries.

b. Trading and Profit and Loss Statement for September (show percentage).

c. Balance Sheet (account form).

d. Closing Entries.

75. E. C. Richardson, Trial Balance taken from General Ledger December 31, 1914, before adjusting entries have been made and posted.

Land (cost)	$3,000.00	
Buildings (cost)	15,400.00	
Horses and wagons (cost)	2,950.00	
Cash	3,469.70	
Accounts receivable	4,697.50	
Notes receivable	1,150.00	
Merchandise on hand June 30, 1914 (cost)	3,674.95	
Accounts payable		$4,627.70
Notes payable		1,000.00
E. C. Richardson, capital		20,600.00
E. C. Richardson, drawings	600.00	
Sales	434.50	20,221.85
Purchases	11,261.75	234.15
Freight inward	326.30	
Selling expenses	1,716.40	
Delivery expenses	682.36	
General administrative expenses	976.84	
Insurance prepaid	124.50	
Interest charges	96.87	
Interest earnings		129.67
Reserve for depreciation of buildings		3,080.00
Reserve for depreciation of horses and wagons		590.00
Reserve for loss of bad debts		78.30
	$50,561.67	$50,561.67
Merchandise on hand December 31, 1914 (cost)		$2,892.60

Make the proper provision for depreciation of buildings. Estimated life of buildings, twenty years. Charge General Administrative Expense.

Make the proper provision for depreciation of horses and wagons. Estimated life, ten years. The charge is to be divided equally between Fright Inward and Delivery Expenses.

Mr. Richardson desires to set up a further reserve for losses on account of bad debts amounting to one per cent. of the net sales for the period.

Interest accrued to date on interest bearing notes payable, $24.50.

Portion of cost of insurance policies applicable to the current period, $62.25. Charge General Administrative Expense.

There are office supplies on hand which cost $34.00. When acquired these supplies were charged to General Administrative Expense.

REQUIRED:

a. Adjusting Entries.

b. Profit and Loss Statement.

c. Balance Sheet—current assets first.

d. The estimated life of the building is twenty years. On approximately what date was it acquired?

e. Compute:

1. The turnover for the period.
2. Rate per cent. of gross profit on sales.
3. Rate per cent. of gross profit on cost of sales.
4. Rate per cent. of net profit on the average capital for the period.

COMMENTS:

Mr. Richardson conducts a small retail business. Apparently he neither allows cash discounts on sales nor takes advantage of cash discounts offered by creditors; or, if such items do occur, they have been treated as direct deductions from Sales and Purchases, respectively.

For convenience in making up the Profit and Loss Statement the debit and credit footings of the Purchases and Sales accounts are shown instead of the balances of these accounts. The Purchases account has been charged with gross purchases and credited with purchase returns and allowances. The Sales account has been credited with gross sales and debited with sales returns and allowances. This information should be considered when drawing up the Profit and Loss Statement.

In the adjusting entries, when making debits or credits to expense accounts care should be taken to use the expense accounts already on the books so far as is possible. In this case, general expense accounts only are kept in the general ledger; consequently only these accounts should be used. New expense or income accounts should be opened only when adjusting extraneous items, and then only when the necessary accounts are not already on the books. Of course, when detailed expense accounts are kept in the general ledger they should be used in making the adjusting entries.

The horses and wagons are used for both hauling inward and hauling outward. Consequently expenses for repairs, teamsters' salaries, boarding, depreciation, etc., should be divided between Hauling Inward and Delivery Expense.

76. (From Massachusetts C. P. A. Examination.)

The trial balance of the A. B. Co. on January 1, 1912, appears as follows:

Cash	$50,100	Reserve for Disc. accts. receivable, 1/1/11	$12,000
Accounts receivable, gross	400,000	Reserve for Disc. Mdse. inventory, 1/1/11	12,000
Notes receivable	30,000	Accounts payable	90,000
Merchandise inventory, 1/1/11, gross	240,000	Notes payable	600,000
Merchandise purchases, to 1/1/12	1,250,000	Sales	1,500,000
Prepaid interest 1/1/11	12,500	Purchase discounts collected on settlements with creditors	59,500
Interest paid to 1/1/12	36,000	Reserve for bad debts, 1/1/11	3,000
Expenses paid to 1/1/12	156,000	Mdse. returned to creditors to 1/1/12	50,000
Reserve for Disc. accts. payable, 1/1/11	4,000	Collected on accts. charged to P. & L. in 1910	500
Bad debts, charged off to 1/1/12	2,500	Credit insurance, rec'd on 1910 losses	1,000
Returned sales customers	100,000	Profit and loss 1/1/11	55,000
Salaries	20,000	Capital stock	225,000
Taxes	5,000		
Plant	250,000		
Discounts allowed customers	51,900		
	$2,608,000		$2,608,000

The following information is stated:

Accounts Payable, January 1, 1911, Gross, $80,000.

Accounts Receivable, January 1, 1911, Gross, $300,000.

Notes Payable, January 1, 1911, $500,000. Interest paid at 5% to July 1, 1911.

On July 1, 1911, $500,000 is renewed at 6% for 1 year and $100,000 additional is borrowed at same rate for 1 year.

Inventory, January 1, 1912, $320,000, Gross.

Goods bought on terms of 5% 30 days.

Goods sold on terms of 4% 30 days.

Reserve for Bad Debts, January 1, 1912, to be 1% on Gross Accounts Receivable.

Submit:

a. Working Account showing Operating Profit.

b. Profit and Loss Statement.

c. Balance Sheet.

77. (From Illinois C. P. A. Examination.)

Alexander, Brown and Clark entered into a partnership arrangement on January 1, 1914, their business being the operating of a dry goods store in Galesburg, Illinois. At December 31, 1914, the Trial Balance of the partnership, before making any adjustments, was as follows:

	Dr.	Cr.
Alexander—capital account		$50,000.00
Brown—capital account		30,000.00
Clark—capital account		20,000.00
Inventories of merchandise, January 1, 1914	$125,000.00	
Accounts receivable—customers	75,000.00	
Accounts receivable—employees	3,000.00	
Cash in bank	5,000.00	
Cash on hand	1,000.00	
Notes payable		60,000.00
Accounts payable		15,000.00
Sales		500,000.00
Purchases, including freight	323,000.00	
Salaries and store expenses	125,000.00	
Bad debts written off	2,500.00	
Interest paid on notes payable	6,000.00	
Salary to Mr. Alexander	2,500.00	
Salary to Mr. Brown	4,000.00	
Salary to Mr. Clark	3,000.00	
	$675,000.00	$675,000.00

Prepare an Income, Profit and Loss Account for the year 1914 and a Balance Sheet as at December 31, 1914; also prepare an account for each partner, showing transactions for year, after giving effect to the following adjustments:

Interest at 6% per annum charged or credited to partners. Accept the amounts in Capital Accounts as being Capital at January 1, 1914.

Mr. Alexander owns the store and will be credited in monthly instalments on first of each month (being in advance) with $10,000.00 for rent. Interest at 6% per annum to be allowed on these credits.

Of the interest paid on Notes Payable, $2,000 applies to period subsequent to December 31, 1914.

Reserve for Unpaid Taxes, $1,000.00 and for Unpaid Wages, $1,500.00.

A Reserve of $1,500.00 is necessary for Bad and Doubtful Accounts.

The Inventory at December 31, 1914, is valued at $150,000.00.

Of the profits, if any, after giving effect to these adjustments, credit 10% to "Bonuses to Department Managers and Salesmen."

The profits or losses are divisible in the following proportions:

Mr. Alexander, 40%. Mr. Brown, 33 1/3%. Mr. Clark, 26 2/3%.

78. (From Illinois C. P. A. Examination.)

Prepare a Trading and Profit and Loss Account and Balance Sheet from the following Trial Balance and data for the year ended December 31, 1909:

The stock of stores and materials at the end of the year December 31, 1909, was $8,500.00. The rent at the rate of $2,500.00 was paid up to September 30th. Bad debts amounting to $850.00 have to be written off. A provision of $1,250.00 has to be made to meet possible bad debts. Depreciation at the rate of five per cent. per annum on the plant at January 1, 1909, has to be written off. The wages are paid up to December 27th; the wages from that date to December 31st amount to $175.00. Interest at five per cent. per annum has to be passed on the amount of the partners' capital accounts at January 1, 1909. (No interest on partners' current accounts.) Profits to be divided equally between the partners. The necessary entries for division of profits and interest, etc., to be passed through the partners' current accounts. It is assumed that no further entries are required to be made to complete the accounts.

Johnson & White, Trial Balance, December 31, 1909.

Investments	$2,410.00	
Accounts payable		$19,125.00
Stores and materials, January 1, 1909	2,120.00	
Johnson's capital		29,600.00
White's capital		15,300.00
Purchases	24,225.00	
Johnson's current account	2,310.00	
White's current account	3,910.00	
Accounts receivable	13,265.00	
Wages	27,825.00	
Rent	1,875.00	
Dividends on investments		115.00
Plant, January 1, 1909	44,100.00	
Bills payable		4,975.00
Bank		975.00
Office expenses and salaries	2,100.00	
Instalments received on account of work in progress		14,355.00
Taxes	40.00	
Bills receivable	3,670.00	
Cash in office	50.00	
Law and accountancy charges	255.00	
Repairs	330.00	
Work in progress, December 31, 1909	25,905.00	
Bank charges	90.00	
Sales		70,035.00
	$154,480.00	$154,480.00

79. (From New York C. P. A. Examination.)

The following is the trial balance of Bailey & Co. as taken from their ledger December 30, 1905.

Cash	$3,112.00	
Bills receivable	14,900.00	
Accounts receivable	22,750.00	
Bills payable		$2,006.00
Accounts payable		9,121.00
Loans at 6 per cent.		5,000.00
Warehouse receipts	8,351.00	
Merchandise inventory	28,900.00	
Store property	20,000.00	
Mortgage on store property at 5 per cent.		10,000.00
Unimproved real estate	6,000.00	
Store fixtures	5,000.00	
Depreciation on store fixtures (1904)		500.00
Horses and wagons	2,500.00	
Capital stock, 750 shares at $100		75,000.00
Profit and loss, surplus		2,573.00
Purchases	132,251.00	
Sales		152,439.00
Discounts		103.00
Rents, hall over store		250.00
Taxes	156.00	
Interest	800.00	
Heat and light	375.00	
Salesmen and wages of employees	4,912.00	
Officers' salaries	4,000.00	
Miscellaneous expenses and losses	2,985.00	
	$256,992.00	$256,992.00
Merchandise inventory Dec. 30, 1905		$30,254.00

Prepare a trading and profit and loss account for the fiscal year 1905 and a balance sheet as at the close thereof. Reserve 1 per cent. of the open accounts receivable to cover bad debts, a further 10 per cent. from office furniture and 20 per cent. from horses and wagons to cover depreciation.

80. (From Massachusetts C. P. A. Examination.)

Y & Z Company, Trial Balance, July 1, 1910.

Cash	$4,005.07	
Accounts receivable	250,317.02	
Real estate	16,520.00	
Mdse. inventory January 1, 1910	210,319.07	
Discounts allowed customers	35,318.72	
Bad debts charged off	4,414.84	
Mdse. purchased Jan. 1, 1910, to July 1, 1910	738,898.43	
Expenses	47,397.80	
Notes receivable	1,436.11	
Machinery	3,780.00	
Sales		$916,389.04
Accounts payable, merchandise		175,119.28
Notes payable, loans		42,500.00
Discounts received on mdse. settlements		29,320.16
Capital		125,000.00
Surplus		24,078.58
	$1,312,407.06	$1,312,407.06

You are asked by a creditor to examine the books of the Y & Z Company and present a Balance Sheet as of July 1, 1910, together with a Trading and Profit and Loss Account, showing the results of the business for the preceding six months. On January 1, 1910, the merchandise inventory was $210,-319.07, and on July 1, 1910, it was $110,318.67. You find these amounts in accordance with the stock sheets turned over to the bookkeeper by the stock clerk. On January 1, 1910, the Accounts Receivable were $216,895.98, and on July 1, 1910, they were $250,317.02, and on Jan. 1, 1910, the Merchandise Accounts Payable were $22,524.05, and on July 1, 1910, they were $175,119.28; you find that the totals of the Customers' and Creditors' Accounts on the Sales and Purchase Ledgers on these dates are in agreement with the Controlling accounts.

Prepare Balance Sheet as of July 1, 1910, and Trading and Profit and Loss Account, which in your opinion will correctly represent the condition of this company, and which gives the Creditor a true statement of its earning capacity for this period.

81. (From New York C. P. A. Examination.)

A, the senior partner of a firm, dies May 9, at the close of which day the trial balance of the co-partnership ledger shows the following items:

Cash	$3,794.00	
Fixed assets	21,036.00	
Trade debtors	92,766.00	
Trade creditors		$93,206.00
Inventory, January 1	12,005.00	
Purchases	14,160.00	
Sales		19,658.00
Expenses	5,213.00	
Capital, A		20,000.00
Capital, B		10,000.00
Capital, C		5,000.00
Personal, A		2,310.00
Personal, B	750.00	
Personal, C	450.00	
	$150,174.00	$150,174.00

The inventory of merchandise stock May 9 is computed at $15,200, the unexpired insurance at 149, and accrued expenses at $207. The division of profits between partners is as follows: A, 57 per cent.; B, 28 per cent.; C, 15 per cent. No interest is credited on capital, but interest is credited on A, personal $115, and charged to B, personal $6.25, and to C, personal $3.75.

The partnership agreement provides in case of A's death for the sale of A's interest to B and C on the execution of a bond by them in favor of A's estate, payable in five yearly instalments, and stipulates that the assets are to be taken at book value, excepting one-half per cent. reserve for bad debts, in compliance with which provision a reserve of $500 is made.

A new firm of B, C and D is formed, in which D invests $5,000 cash for a one-fourth interest in the business. B withdraws all in excess of $10,000 and C pays a sum sufficient to bring his capital up up to $5,000. The future profits are to be shared in the following stated proportions, viz.: B one-half, C one-fourth, and D one-fourth. The new firm executes a purchase mortgage with bond as provided in favor of A's estate for $20,000, and pays over the balance of his interest in cash.

Prepare the necessary accounts to give expression to the foregoing liquidation of the firm of A, B and C, and a balance sheet of the firm of B, C and D, as at the beginning of their enterprise.

82. (From Massachusetts C. P. A. Examination.)

The following is a comparative balance sheet at December 31, 1910, and at December 31, 1911. presented to the board of directors of the Western Company at its meeting January 5, 1912:

Assets	Dec. 31, 1910	Dec. 31, 1911
Land	$20,000.00	$25,000.00
Buildings	45,000.00	45,000.00
Machinery and tools	86,000.00	89,000.00
Horses, wagons and harness	10,500.00	10,500.00
Patents	6,000.00	6,000.00
Good will	25,000.00	25,000.00
Cash	28,300.00	10,300.00
Accounts receivable	29,600.00	26,550.00
Investments and bonds		15,000.00
Inventory—Goods in process	10,800.00	14,690.00
Inventory—Material and supplies	6,750.00	10,300.00
Agency investments		3,680.00
	$267,950.00	$281,020.00
Liabilities		
Bonds and mortgage payable		$20,000.00
Notes payable	$35,000.00	2,000.00
Accounts payable	16,400.00	19,350.00
Reserves for depreciation	2,500.00	6,750.00
Discount on bonds		1,000.00
Capital stock:		
Preferred	150,000.00	150,000.00
Common	50,000.00	50,000.00
Surplus	14,050.00	31,920.00
	$267,950.00	$281,020.00

The land increase was due to appraisal based on rise of values of factory sites in the immediate vicinity.

Together with the above balance sheet there was submitted to the board a statement of income and profit and loss showing the profits of the year to have been $22,120.

The directors state to the auditor that in view of the decrease of cash and accounts receivable, of the absence of dividends, and of the increase of capital liabilities, they are unable to ascertain what has become of the profits of the year.

Prepare a statement to show clearly how the Western Company has applied such resources of the year 1910 as have been lost in 1911, and the resources and profits of the year 1911.

PART V

SURPLUS AND RESERVE ACCOUNTS

83. (From Ohio C. P. A. Examination.)

a. State the theory of depreciation.

b. Explain several methods of computing depreciation.

c. How would you show a reserve for depreciation on the balance sheet?

84. (From Wisconsin C. P. A. Examination.)

From the data given below, explain clearly and show figures illustrating three different methods of arriving at the amount to charge annually for the depreciation of the following items:

	Cost	Estimated Life	Scrap Value
Buildings	$50,000	50 years	$1,000
Machinery	20,000	20 years	2,000
Tools	5,000	5 years	100
Patterns	10,000	3 years	100

85. The North Manufacturing Co. has an account with Reserve for Depreciation of Office Equipment, which is credited at the time of closing the books with the estimated depreciation of the office equipment. This account now shows a credit balance of $632.80. June 21, the company purchased a new safe costing $600 and was allowed $125 for the old one taken in exchange. The old safe cost $400. Make necessary entries.

86. (From Examination for Admittance to the American Institute of Accountants.)

A machine costing $81.00 is estimated to have a life of four years, with a residual value of $16.00. Prepare a statement showing the annual charge for depreciation according to each of the following methods:

a. Straight line.

b. Constant percentage of diminishing value.

c. Annuity method.

(For convenience in arithmetical calculation assume the rate of interest to be 10 per cent.)

Discuss the significance of each of the methods.

87. (From Massachusetts C. P. A. Examination.)

A corporation has been accustomed to charge the purchase of machinery to the Machinery Account at cost, and each year to charge the Manufacturing account and to credit a Reserve for Depreciation account with an amount which will offset the cost of the machinery by the time it is estimated that it will be advisable to scrap the machines. During the period that you have been employed to audit the account, you find that the corporation has sold two machines for $500 each, and this amount has been credited to the Machinery account. One of them cost $1,000, and the amount reserved for depreciation on this machine is $600. The other cost $1,500, and the amount reserved for depreciation is $850.

Make the adjusting entries to correct the books.

88. An account with Reserve for Depreciation of Delivery Equipment showed on December 31, 1916, a balance of $940.80. The Delivery Equipment account of the same date showed a balance of $13,968.40.

In August, 1916, a horse died which cost $300, no entry being made at the time. Three years' depreciation had already been provided for at the time of the horse's death at the rate of 10% per annum, leased on cost.

In October, 1916, a horse which cost $275 was sold for $175, the difference between cost and selling price having been charged to the Reserve account. This horse was bought at the same time the other one was and the same depreciation has been provided for.

Make necessary adjustments.

89. (From Examination for Admittance to the American Institute of Accountants.)

A machine costing $10,000 was estimated to have a life of ten years, with a residual value of $1,000. At the close of each year a charge of $900 was made and a similar amount credited to "Reserve for Depreciation." Just prior to closing the books at the end of the tenth year the machine was discarded and sold, bringing $2,000, and a similar machine was bought costing $15,000. Give the journal entries that you would make to close the books at the end of the tenth year in order to cover these transactions and to make necessary adjustments. Interest is not to be calculated.

90. The Norfolk Machine Company has followed the policy of crediting depreciation on fixed assets directly to the ledger accounts kept with such assets, arbitrary amounts being written off to cover depreciation at the close of each fiscal period. At the time of closing the books on June 30, 1917, on the advice of an accountant, it is decided to abandon such an unscientific policy and the accountant is authorized to outline a series of entries by which proper reserve accounts may be opened covering the entire period during which the assets have been in use.

To enable the accountant to do so, the following data is obtained regarding the accounts:

Buildings:	
Cost	$90,000.00
Depreciation written off to 12/31/16	16,700.00
Estimated life from 12/31/16	20 years
Machinery and Equipment:	
Cost	50,000.00
Cost of replacements	5,000.00
Depreciation written off to 12/31/16	14,375.00
Estimated life from 12/31/16	8 years
Power Plant:	
Cost	8,000.00
Cost of replacements	1,500.00
Depreciation written off to 12/31/16	4,000.00
Estimated life from 12/31/16	4 years
Office Equipment:	
Cost	$6,500.00
Cost of replacements	700.00
Depreciation written off to 12/31/16	1,635.00
Estimated life from 12/31/16	8 years
Horses, Wagons and Harness:	
Cost	14,500.00
Cost of replacements	1,200.00
Depreciation written off to 12/31/16	7,340.00
Estimated life from 12/31/16	6 years

Prepare journal entries with complete explanations by which the new policy may be put into effect, provision being made at the same time for the depreciation applicable to the current six months' period.

91. The Bay State Press has an account with Fixtures showing a total cost of $46,880 which were bought as follows:

1905	$5,115	1909	$1,005
1906	3,002	1910	4,505
1907	2,150	1911	6,115
1908	17,810	1912	7,178

No depreciation has ever been provided, a condition which it is now desired to correct. The estimated life is 10 years from the date of purchase.

Make entry for setting up a reserve account covering depreciation for the entire period during which the fixtures have been used, including depreciation for the current year ending December 31, 1912.

92. The Digesto Food Company manufactures a brand of breakfast food according to a secret process. Their engineers design a special machine for its manufacture, ten machines of this design being made by the Breckworth Machine Company.

The cost of each machine is $3,600; the estimated life is ten years; the scrap value $100.

As an accountant, you are asked to work out a method for reckoning depreciation on the machines, the depreciation to be included in the cost to produce the food. Your attention is called to the fact that the business has been quite profitable due largely to the extensive advertising done by the company. Their success, however, has attracted capital in large quantities to this field and new companies are constantly being organized for the manufacture of a variety of competing foods, with the result that the ability of the company to maintain their present sales and profits is rather uncertain.

Prepare your report covering the following points:

a. Method of reckoning depreciation.

b. Method of bringing it on the books.

c. Treatment of repairs.

d. Design a ledger card for a perpetual inventory of machinery units owned by the company, showing all facts about the purchase; the depreciation written off from time to time is also to be recorded on the cards.

93. December 31, 1912, at the time of closing the books, the Henry Hudson Company set aside 1½% of Accounts Receivable as a reserve for bad debts. The Accounts Receivable on that date showed a balance of $62,747.93.

June 30, 1913, the accounts of R. W. Rollins & Co. for $137.20 and of J. C. Cutter for $42.25 are written off, as repeated attempts have been made to collect them.

September 1, 1913, a final dividend of 20% from trustees in bankruptcy for Thomas Knight on a claim of $638.20 was received. Previous to this, dividends of 30% and 20% had been received.

July 2, 1914, J. C. Cutter paid us in full the amount written off on June 30, 1913.

Make necessary entries.

94. French & Dysart, Inc., are engaged in the manufacture of lathes, at the time of closing the books June 30, 1915, the following facts are discovered by the accountant:

March 1, the Essex Machine Company ordered the delivery of two lathes, which had been manufactured for them and had been holding for shipping instructions since September, 1914. The lathes had been charged to the Essex Machine Company on September 21, 1914, but by an oversight were included in the inventory taken December 31. One machine was billed at $962.50 and the other at $750.

The inventory taken December 31 was also found to contain the following clerical errors:

Finished stock, $3,100 too much.
Raw materials, $1,000 too little.

L. P. Fuller, a customer of the company, failed and his affairs were settled in the bankruptcy court. A final dividend was received March 1, 1914, leaving an unpaid balance of $610 which was charged off to Profit and Loss. Fuller began business anew and desiring to make settlement in full with all creditors as he is able to do so, sends the company his check for $300 on account on June 30, 1915. What entry should the bookkeeper make?

If the $610 had been charged to a Reserve for Doubtful Account, what entry would you advise at the time of recovering the $300?

95. An accountant is engaged by a certain concern to draw up financial statements and to close the books as of December 31, 1916. He finds that no provision for accrued or prepaid items was made when the books were closed December 31, 1915, and he also locates certain errors as indicated in the following:

Accrued wages and salaries—Dec. 31, 1915—$1,640.
Dec. 31, 1916—$2,000.

Insurance paid in advance—Dec. 31, 1915—$360.
Dec. 31, 1916—$180.

Accrued interest on mortgage—Dec. 31, 1915—$1,200.
Dec. 31, 1916—$1,200.

Goods received prior to Dec. 31, 1915, and included in the inventory of that date but not entered on the books until Jan., 1916—$8,000.

Error in taking inventory Dec. 31, 1915—$1,500 too little.

Depreciation on real estate—estimated—for 1915, $6,500—for 1916, $7,000.

Make the necessary adjusting entries.

96. A firm closed its books on December 31, 1913; on January 15, an accountant is called in to make an audit of the accounts for the year and check up the financial statements:

The accountant discovers that the following accrued and prepaid items were ignored by the bookkeeper at the time of closing the books, both on December 31, 1913, and on June 30, 1913, the date of the preceeding closing:

	June 30, '13	Dec. 31, '13
Error in inventory (too much)	$1,850.00	
Interest prepaid on notes payable	375.00	$150.00
Wages accrued	1,957.00	3,984.00
Insurance premiums prepaid	290.00	680.00
Interest accrued on bonds	500.00	500.00
Taxes accrued	600.00	
Taxes prepaid		500.00

97. (From Illinois C. P. A. Examination.)

In taking up the audit of the accounts of a company for the year ending December 31, 1912, you find that the adjustments made at the previous audit for the year 1911 have not been taken on the books, and that, therefore, the books are not in agreement with the audited accounts as of that date. Assuming the following were the adjustments referred to, what, if any, disposition would you make of the items at this audit, illustrating your answer with draft journal entries, viz.:

To record:

1.	Invoices for Merchandise in Transit at December 31, 1911, not on books	$5,000.00
2.	Invoices for Merchandise received but not entered	10,000.00
3.	Reserve for Bad Debts (said debts were written off in 1912)	2,000.00
4.	Factory Expense Bills for 1911 not entered until January, 1912	750.00
5.	Pay-Roll accrued at December 31, 1911	6,000.00
6.	Insurance Premiums paid in advance at December 31, 1911	500.00
7.	Taxes for year ending December 31, 1911, not entered until May, 1912	1,000.00
8.	Reserve against excess valuation of Inventory, December 31, 1911	10,000.00
9.	Depreciation not taken up on books prior to January, 1911, $5,000; year ending December 31, 1911, $1,000	6,000.00
10.	To write off an unlocated difference in the Accounts Receivable Controlling Account at December, 1911, which, however, was located and canceled in 1912	1,500.00

98. (From Massachusetts C. P. A. Examination.)

The books of the X Manufacturing Company were audited to December 31, 1913, and in making up the Balance Sheet and Profit and Loss Account at that date the auditors recommended the following adjustments:

a. Transferred to Profit and Loss $4,231.07 which had been charged to real estate and buildings in error.

b. Provided for depreciation of buildings, etc., $7,200.00.

c. Adjusted salaries amounting to $1,400.00 due for 1913 services but not entered on the books until January, 1914.

d. Reduced the amount of Inventory because of errors, $12,000.

The same auditors were again called in to audit the books to June 30, 1914, and found that the above adjustments had not been entered on the books. They also found that during the half year $1,000.00 had been charged to real estate, buildings, etc., instead of to expense; that no provision had been made for depreciation for the period amounting to $3,600.00 and that the inventory had been footed $10,000.00 too much. Also that the unexpired insurance amounting to $750.00 more than was entered on the books. The following are condensed trial balances of the X Manufacturing Company books as the auditor found them as of December 31, 1913, and June 30, 1914:

	December 31, 1913		June 30, 1914	
Real estate, buildings, etc.	$102,840.26	....	$115,226.80	....
Capital stock	....	$200,000.00	....	$200,000.00
Debentures	....	100,000.00	....	100,000.00
Cash	14,672.14	....	22,143.21	....
Accounts payable	....	9,431.17	....	11,698.21
Accounts receivable	22,436.10	....	28,250.40	....
Loans	....	10,000.00	....	5,000.00
Stocks and bonds	17,502.50	....	19,150.00	....
Inventory	246,153.42	....	288,360.14	....
Unexpired insurance	1,471.23	....	742.26	....
Surplus	....	85,644.48	....	85,644.48
Profit and Loss, 1914	....	....	....	71,530.12
	$405,075.65	$405,075.65	$473,872.81	$473,872.81

From the foregoing facts prepare:

1. A correct Balance Sheet, June 30, 1914.

2. State the adjusted amount of profits for the half year to June 30, 1914.

3. Prepare statement reconciling the Balance Sheet figures with the original Trial Balance of June 30, 1914.

PART VI

CONSIGNMENTS, BRANCHES AND SELLING AGENCIES

99. (From Missouri C. P. A. Examination.)

What is the proper method of treating Consignments on the books of:

1. Consignor
2. Consignee
3. On their respective balance sheets.

100. A ships to B on consignment, under date of April 4, merchandise to the value of $1,500, paying $15 cartage and $6 insurance.

B receives the consignment April 20, paying freight $70 and cartage $12. He subsequently disposes of the merchandise by sales as follows: April 30, $400; May 30, $800; June 30, $600, on which latter he pays storage charges $30. He charges commissions on sales 5%, credits net interest at 6% and transmits account sales with remittance of net proceeds to A, who receives them July 10.

Prepare shipment account as appearing on A's ledger and consignment account as appearing on B's ledger.

101. (From Illinois C. P. A. Examination.)

Two merchants, C. F. Munton and W. A. Spencer, agree to share equally in a joint adventure in trade to the West Indies.

On March 1st, 1907, they charter a small vessel and purchase and ship materials which cost them $197.00, for which Munton gives his check.

This cargo they consign to John Smith, their agent at Havana, which he disposes of, and in return ships on board the same vessel 4,000 cases of Commodity A, and 100 cases of Commodity B; and he draws on Munton at sight for $125.00, this being the amount of the agent's charges and disbursements over and above the net proceeds of the cargo consigned to him. Munton accepts and pays the bill. On April 1st the vessel arrives, whereupon Munton pays sundry charges of $337.50. Spencer pays the freight, amounting to $493.00. On April 4th Munton sells 1,000 cases of Commodity A to Henry Chamberlain for $239.58, and collects $150.00 and on April 10th Spencer collects the rest.

About this time, Mr. Spencer happens to have occasion for 1,400 cases of Commodity A, which he takes on April 14th, and with Munton's consent values at $291.66. He also takes 10 cases of Commodity B, valued at $47.50. Munton sells the other 1,600 cases of Commodity A on April 20th to John Walters for $383.33, and a month after accepts $382.50 in full payment.

Mr. Munton next sells on April 25th the other 90 cases of Commodity B in barter for 30 cases of Commodity C, which he and Spencer divide equally between them.

The goods being thus disposed of, Munton presents his bill of charges, which comes to $22.66, and desires to have accounts stated between Mr. Spencer and him.

You are required to give the Ledger Accounts of the joint adventure recording the foregoing transactions as follows:

Joint Adventure Account,
C. F. Munton,
W. A. Spencer,
Henry Chamberlain,
John Walters.

102. (From Illinois C. P. A. Examination.)

A. B. & Co. agree with C. D. & Co. that the latter shall ship on consignment to Honolulu on joint account 20 cases of Commodity "X," the invoice price of which is $2,100, less 2½ per cent. A. B. & Co. pay the packing charges, $25; also freight, insurance and other charges, $90, and they draw on their correspondents in Honolulu in advance for $1,600 at 90 days, which is discounted at a cost of $20, and the proceeds handed to C. D. & Co. as part payment. These transactions may be dated March 1st, 1909. On the 30th of November, 1909, A. B. & Co. receive the account sales and net proceeds, $418, and they then pay C. D. & Co. the balance due to them.

Prepare a Joint Consignment Account charging interest on the amount lying out at 5 per cent. per annum for eight months, closing it by dividing the loss. Also an account to be rendered by A. B. & Co. to C. D. & Co. closed by payment of the balance and prove that the losses borne by each are equal.

103. (From Massachusetts C. P. A. Examination.)

A commission house, composed of three partners, is selling agent for sundry consignors whose accounts are unguaranteed. The rate of commission is 3% of the net sales. The fiscal terms end June 30, and December 31. The partners' capital accounts are to be credited with interest at 6%, p. an., and with the net earnings which are to be apportioned as follows:

J. Doe, 60%; R. Roe, 30%; J. Smith, 10%. No interest is to be computed on J. Doe's drawing account; that account is to be credited with 1% of the net sales. Following is the trial balance, December 31, 1910:

Cash	$16,800	Sundry creditors	$100
Advances to sundry consignors, account of sales	105,700	Sundry consignors' sales accounts	235,600
Accounts receivable, for account of sundry consignors	235,600	J. Doe Capital acct. June 30, 1910)	100,000
J. Doe drawing acct.	5,800	R. Roe capital acct. (June 30, 1910)	9,000
Salaries	3,400	J. Smith capital acct. (June 30, 1910)	4,000
Rents	700	Commissions	18,000
Traveling	600	Interest received from consignors, on advances account of sales (to Dec. 31, 1910)	2,900
Teaming	200		
Miscellaneous expenses	800		
	$369,600		$369,600

The net sales, during the six months, were $600,000. Write, in proper form, a statement for the six months ended December 31, 1910, showing the detail of gross earnings; expenses; total interest credited to the partners; net earnings; and the distribution of the latter. Show a balance sheet, December 31, 1910.

104. (From Ohio C. P. A. Examination.)

The following is a pre-closing trial balance as at December 31, 1913, prepared from the ledger of Messrs. Joseph & Johnson, commission merchants:

	Debit	Credit
A. B. Joseph—Capital account		$50,000.00
C. D. Johnson—Capital account		50,000.00
Cash	$293,719.52	281,388.10
Customers	215,720.60	195,625.30
Buckeye Worsted Mills—Consignment sales	215,720.60	215,720.60
Freight and cartage	18,652.70	10,362.60
Commissions		21,572.06
Discount allowed	1,905.78	
Buckeye Worsted Mills—Current account	50,000.00	62,982.41
General expenses	10,000.00	
Buckeye Worsted Mills—Advances	202,735.40	120,803.53
Totals	$1,008,454.60	$1,008,454.60

The bookkeeper is seriously ill, and the firm of C. P. & A. (by whom you are employed as a senior accountant) have been requested to prepare from this data—without an audit of the books—a balance sheet, and to determine what the profits or losses for the year have been.

Mr. Johnson, one of the partners, who brought this trial balance to the office, has furnished the following additional facts:

The firm started business January 1, 1913, with a cash capital of $100,000, of which each partner contributed one-half.

The firm does business under a contract with the Buckeye Worsted Mills, whereby it handles, on consignment, the product of the Buckeye Mills exclusively. The contract provides for an advance to the mill of 70% of the billed value upon shipment of the goods from the mill. All sales are made at an advance of 25% over the mill billing price, and settlements for sales are made with the mill monthly, less a 10% commission, less freight and cartage on the goods sold, and less the advances made on the goods sold. The shipments made during the year amounted—at the mill billing price to $289,622.

Your principal also furnishes you with the following explanations concerning the operation of two of the accounts shown on the trial balance.

Buckeye Worsted Mills—Consignment Sales. This account is credited with sales and debited with the monthly settlements.

Freight and Cartage. The debits in this account measure the freight and cartage paid on shipments made to the firm, and the credits measure the deductions for freight and cartage made in the settlements with the mill.

You are asked to submit:

a. Ledger accounts exhibiting in summary form the entries for the year's transactions, each entry in the several ledger accounts cross-indexed by number so as to identify the same with the contra debit or credit in another ledger account.

b. A balance sheet as at December 31.

c. A statement of the profits or losses.

d. The value of the consigned goods unsold at mill billing price.

105. George Bentley & Co. place you in charge of a branch store with goods valued at $2,150 and cash $75. You are to receive a salary of $40 per month and 10% of the gross profits. During the year you pay store expenses of $210. The goods shipped from main store during the year amounted to $21,000 and your sales cover $24,000. At the end of the year your books showed accounts receivable $400 and merchandise on hand, $2,000.

Make a statement showing the net profit of the branch. It is decided to close the branch at the end of the year. Show balance of cash due Bentley, assuming that he takes over the Accounts Receivable and Merchandise.

106. (From Illinois C. P. A. Examination.)

A branch office business was started the first of the year, the head office advancing $5,000.00 cash. During the first year merchandise was shipped to Branch, invoiced at $75,000.00.

An auditor checking up the business at the close of the year finds the following:

Merchandise sales were $60,000.00, with selling price of goods 20% advance on invoice.

Proper vouchers were on file duly receipted for following payments:

Rebates and allowances on damaged goods	$1,500.00
Salaries and other expenses..	4,500.00
Freights	2,500.00

The books also showed:

Remittances to head office..	$35,000.00
Uncollected accounts	15,000.00

and balance of the sales having been realized in cash, less rebates and allowances as noted.

The cash on hand and inventory of unsold goods, together with the foregoing records, properly account for everything.

Prepare statement, such as an auditor would make in reporting to the head office, balancing the business of the branch house.

107. (From Massachusetts C. P. A. Examination.)

The condition of the Atlantic Co. at the close of business, December 31, 1913, is reported by them as follows:

Assets

Real estate	$150,000.00
Machinery	200,000.00
Cash	24,500.40
Accounts receivable	320,800.50
Merchandise	375,480.70
	$1,070,781.60

Liabilities

Capital stock	$500,000.00
Mortgage on real estate	100,000.00
Accounts payable	67,000.00
Notes payable	100,000.00
Surplus	200,000.00
Profit and loss	103,781.60
	$1,070,781.60

The Company has a branch to which it sells its goods at 20% over inventory prices and carries this account together with other Branch Assets as a receivable.

The statement of the branch on same date was:

Assets

Fixtures	$6,205.79
Cash	1,107.55
Accounts receivable	12,478.14
Merchandise at price billed to branch	5,241.95
	$25,033.43

Liabilities

Atlantic Company	$25,033.43

a. What was the inventoried value of the Branch Merchandise?

b. Prepare a corrected statement of the Atlantic Company.

108. (From Massachusetts C. P. A. Examination.)

A branch office business was started at the first of the year, the head office advancing $5,000 cash. During the first year merchandise was shipped to branch invoiced at $75,000.

An auditor checking up the business at the close of the year finds the following:

Merchandise sales were $60,000 with selling price of goods 20% advance on invoice cost.

Proper vouchers were on file duly receipted for following payments:

Rebates and allowances on damaged goods	$1,500
Salaries and other expenses	4,500
Freights	2,500

The books also showed:

Remittances to head office	$35,000
Uncollected accounts	15,000

The balance of sales having been realized in cash less rebates and allowances as noted.

The cash on hand and inventory of unsold goods together with the foregoing records properly account for everything.

Prepare statement such as an auditor would make in reporting to the head office, balancing the business of the branch house.

109. (From Massachusetts C. P. A. Examination.)

A manufacturing concern having a branch in another town presents the following trial balances on January 1, 1912:

Main Office

Plant	$125,500	Capital stock	$250,000
Material and supplies (inventory Jan. 1, 1911)	68,300	Notes payable	30,000
Purchases	245,800	Accounts payable	42,630
Labor	163,400	Net sales	480,300
General expense	24,900	Profit and loss (Jan. 1, 1911)	31,820
Insurance—(1 yr. to Jan. 1, 1912)	3,400		
Accounts receivable (worth 95%)	84,600		
Cash	4,870		
Dividends paid	20,000		
Branch	93,980		
	$834,750		$834,750

Branch

Plant	$35,200	Net sales	$97,620
Material and supplies (inventory Jan. 1, 1911)	16,500	Main office	93,980
Purchases	62,450		
Labor	40,610		
Insurance—(1 yr. to Apr. 1, 1912)	1,260		
General expense	7,820		
Accounts receivable (worth 100%)	24,600		
Cash	3,160		
	$191,600		$191,600

Inventories of material and supplies on January 1, 1912, were: Main office, $45,300; branch, $28,400.

No inventories of finished goods, as same were sold on contract for daily shipments, and are all billed up on closing.

In closing on January 1, 1911, the branch charged off all insurance.

General Expense includes salaries, office expense, taxes, etc.

Selling Expense has been deducted from the sales.

Construct one working account, profit and loss account and closing balance sheet for the entire concern, omitting estimate for depreciation.

110. (From Michigan C. P. A. Examination.)

Compile from the following particulars, supplied by the branches, an account with each branch in the books at the head office of the Wholesale Co., whose year ends December 31, 1909, bringing down the balances as they should appear on January 1, 1910.

The branches receive all their goods from the head office and pay in all of their cash every day. They keep their own sales ledgers and do their own collecting. All payments for wages and expenses at the branches are drawn by check from the head office on the Imprest system.

	A	B
Merchandise received from head office	$10,360.00	$10,730.00
Cash received from customers	11,450.00	10,340.00
Allowance to customers	15.00	35.00
Returns from customers	75.00	200.00
One year's sales to Dec. 31, 1909	10,870.00	12,605.00
Cash sales	8,400.00	5,700.00
Bad debts	280.00	530.00
Inventory of Mdse. at Jan. 1, 1909	2,300.00	2,500.00
Debtors at January 1, 1909	8,270.00	5,730.00
Debtors at December 31, 1909	7,320.00	8,760.00
Inventory at December 31, 1909	3,750.00	4,320.00
Rent and taxes paid	600.00	730.00
Wages and other expenses	2,020.00	2,310.00

111. (From Wisconsin C. P. A. Examination.)

John B. Green has a chain of five retail grocery stores. Goods are sold to consumers for cash; and to small dealers on credit. Additional working capital is required. Three of Green's friends agree to furnish funds providing the business is incorporated. Such books as exist have been kept by single entry. The business is duly incorporated for an authorized capital of $100,000, par value of shares $100 each. It is agreed that Green shall turn over his business to the company as at July 1, 1914, on appraised values of physical properties; and values of all book accounts (assets and liabilities) as they shall be disclosed; and Green's net worth is to apply on his stock subscription of $25,000. In addition, Green is to be allowed 25% of the net worth for "Good will." Other capital stock subscriptions are, respectively, A, $30,000; B, $25,000; C, $20,000; and each is to pay immediately in cash a proportionate amount on subscriptions which, altogether, shall aggregate 50% more than the value of capital stock issued to Green.

The Appraisal Company reports as follows:

Real Estate:			
Store No. 1			$4,000.00
Store No. 2			5,000.00
		Reproductive Values	Sound Values
Buildings:			
Store No. 1		$3,000.00	$2,000.00
Store No. 2		7,500.00	5,000.00
Furniture and Fixtures:			
Stores		10,000.00	7,500.00
General Office		1,000.00	500.00
Stock Room		1,000.00	500.00
Automobiles (2)		5,000.00	3,500.00
Inventories (Merchandise):			
In Store Room		14,000.00	
In Storage (Butter and Eggs)		5,000.00	
In Stores		11,000.00	
No. 1	$2,300.00		
No. 2	1,950.00		
No. 3	3,135.00		
No. 4	2,365.00		
No. 5	1,250.00		

The book accounts disclosed are as follows:

Cash at Bank		$1,500.00
Cash—General Office Petty Cash)		100.00
Cash—Stores		500.00
No. 1	$140.00	
No. 2	75.00	
No. 3	160.00	
No. 4	60.00	
No. 5	65.00	

Accounts Receivable—Dealers	$2,600.00
Trade Creditors' Accounts	22,280.00
Accrued Wages and Salaries	795.00
Accrued Taxes	100.00
Unexpired Insurance	50.00
Mortgage on Real Estate and Buildings—dated July 1, 1913; principal payable in 5 years; interest at 6% per annum, payable semi-annually	7,500.00

Notes Payable (Bank):

Due 3 months from May 1, 1914 (6%)	10,000.00
Due 3 months from June 1, 1914 (6%)	5,000.00

Interest falling due on mortgage loan has not been paid. Interest on the $10,000 note is payable at maturity. The $5,000 note was discounted.

The following additional facts are shown on the books and records of the John B. Green Company at the close of the first month's business:

Merchandise Purchases (of which $750 was returned)		$35,000.00
Stores' Sales as per Cash Register Totals:		
Store No. 1	$6,000.00	
Store No. 2	3,500.00	
Store No. 3	8,000.00	
Store No. 4	5,000.00	
Store No. 5	2,500.00	
Sales to Dealers		5,000.00
Issues from General Stock (at cost):		
Store No. 1	$5,585.00	
Store No. 2	2,850.00	
Store No. 3	6,470.00	
Store No. 4	4,210.00	
Store No. 5	2,475.00	
Cost of Goods Shipped to Dealers		4,545.00

Expenses of Stores:	Clerks' Wages	Rents	Heat, Light, Cleaning, Ice, etc.	
Store No. 1	$200.00	$65.00	$25.00	$290.00
Store No. 2	135.00	25.00	20.00	180.00
Store No. 3	235.00	75.00	35.00	345.00
Store No. 4	200.00	150.00	35.00	385.00
Store No. 5	135.00	100.00	35.00	270.00

Management and Office Salaries		$385.00
Store Room and Delivery Wages		265.00
Rent of Office and Store Room		35.00
Stationery and Office Supplies		40.00
Postage		10.00
Advertising		75.00
In-Freight		50.00
Heat, Light and Janitor (Office)		15.00
Appraisal and Audit Fees		350.00
Law and Organization Expenses		250.00
Auto Up-Keep		90.00
Telephone		40.00

Debts of John B. Green not disclosed at date of turnover:

On Creditors' Accounts	$675.00	
On Storage Charges (of which $5 is for current month)	20.00	695.00

The stores' merchandise inventories at the end of the month amount to:

Store No. 1	$2,650.00
Store No. 2	1,875.00
Store No. 3	2,920.00
Store No. 4	2,115.00
Store No. 5	940.00

The stores' cash funds are reduced to:

Store No. 1	$100.00
Store No. 2	50.00
Store No. 3	100.00
Store No. 4	50.00
Store No. 5	50.00

Differences are found in the stores' cash funds at the close of the first month's business:

Store No. 1	short	$3.00
Store No. 2	over	1.00
Store No. 5	over	17.00

The general merchandise stock shows:

Spoiled goods, $60; shortage in inventory at the end of the month, $35.

The stores receive credit for spoiled goods:

Store No. 1	$15.00
Store No. 2	10.00
Store No. 3	20.00
Store No. 4	15.00
Store No. 5	30.00

The upper floor of store No. 1 building is tenanted, and rentals at $25 monthly, payable in advance, are found to be three months in arrears—of which $50 is paid during July.

Insurance expires September 30, 1914.

All salaries and wages are payable one-half each on the 1st and 15th of the month.

Dealers have paid on their accounts $4,200.

Trade creditors have been paid (of which $340 is discounted) $40,000.

Depreciation charges (annual rates):

On Buildings, 5%.

On Furniture and Fixtures, 10%.

On Automobiles, 25%.

Part of store No. 2 building is used for the general office and store room.

You are asked to submit:

a. Opening entries on the books of the corporation (journal form with brief explanations), taking over the business of John B. Green and including payments on account of capital stock subscriptions.

b. General cash account for the month.

c. Profit and loss account for the month; showing also, in a clear and simple manner, the stores' operations with percentages of gross profit on cost. It is not necessary to prorate any of the general business expenses to the stores.

d. Comparative balance sheet as at July 1 and July 31, 1914.

e. A brief statement giving the grounds of your conclusions in explanation of the loss on goods sold in store No. 5 (Wisconsin, 1915.)

112. (From Wisconsin C. P. A. Examination.)

Supplementing the problem given on the financial affairs of the John B. Green Company, you are asked to submit an outline of a simple but effective accounting system for such corporations:

a. Submit list of books and records.

b. Submit captions of general ledger accounts, set up in trial balance form, and arranged under proper classification.

c. Submit ruled forms, showing columnar headings, for all books required, together with brief instructions relative to the use and purpose of each form. Also indicate, by graph or otherwise, relationship of the various books and records.

d. Give suggestions for the control of merchandise stocks in the stores, to have a reasonable assurance that cash has been received for all goods sold.

113. (From New York C. P. A. Examination.)

A contracts with a textile establishment to sell the mill's annual output on the following conditions:

The mill is to bill the output to A at cost. A is to finance the mill to the extent of 75% of cost on receipt of goods. The balance is to be remitted by A as the various shipments are sold, less 5% and advances. At the end of the year an analysis of A's affairs reveals the following, as shown by his books, the goods being sold at 10% profit above factory cost (mill shipments, $7,327,918.18):

	Debits	Credits
Mill advances	$5,545,938.00	$5,000,000.00
Mill sales	6,400,000.00	7,840,710.00
Freight and cartage	90,000.00	80,000.00
Customers	7,840.710.00	7,632,200.00
Cash	7,610,200.00	5,635,938.00
Discounts	22,000.00	....
Commission	....	320,000.00
Mill account	....	1,000,000.00
	$27,508,848.00	$27,508,848.00

Prepare A's Financial Statement.

114. A large manufacturing concern in Chicago has Sales Branches in various large cities which have exclusive right to the business within their territories. Each branch purchases from the head office and makes up a separate profit and loss statement. The New York branch contracted with the A B Co., a large concern, to supply their requirements all over the country, bills to be paid at New York, and the New York Branch would extend proper credit to the various branches through the main office, it being a rule of the company that branches cannot deal direct with one another.

On January 1, 1904, the New York Branch sold a carload to the A B Co., Philadelphia, consisting of 500 boxes @ $4.00 per box, with a carload allowance of 10c per box. The cost of the goods was figured @ 25% below the selling price and the freight amounted to $24.65. On Jan. 9 the New York Branch received payment less 2% cash discount for the purchase.

What entries would be made on the Main Office books, the New York Branch books, and the Philadelphia Branch books?

115. (From Illinois C. P. A. Examination.)

The Universal Cash Register Company, with an authorized capital of $10,000,000.00, of which $5,-000,000.00 has been issued at 80 cents on the dollar, is engaged in the manufacture of cash registers and supplies pertaining thereto. The sale of these cash registers, etc., is accomplished by means of a large number of branch houses and agencies, and all goods shipped by the factory to these branch houses, etc., are put on consignment account at list prices. In addition to the sale of new cash registers they also sell a large quantity of second-hand registers, which they have obtained by taking second-hand registers in part payment of new registers. These second-hand registers are also put on consignment account, but not at list prices, but at actual cost to the company, the reason for this procedure being that they have no fixed selling price for second-hand machines, their branch house managers and agents being authorized to sell them at as high a figure as they can get, but on no account to allow themselves to become overstocked with them. It often happens that on receiving the second-hand register at a branch it is found advisable to ship same to the factory, so that certain repairs may be effected to put it in saleable condition. When these repairs are completed the second-hand register may be shipped to some entirely different point from which it originally came.

Branch house managers are paid a fixed salary, but attached to each branch house are a number of salesmen who receive no salary, but are paid on a purely commission basis, and on the same terms as those given to agents. For the purpose of this question it will be assumed that no register is ever sold without a commission being paid to a salesman or agent, and on the sale of every new register the rate of commission is thirty (30) per cent. But when a second-hand machine is accepted in part payment of a new register the salesman or agent only receives twenty (20) per cent. of the net amount that will be received in cash and notes from the customer. On sales of second-hand machines a commission of twenty per cent. is paid. The terms to customers are 25% cash and the balance in ten equal monthly instalments, a separate note being given for each instalment. Upon failure of a purchaser to pay any part of the purchase price the register is pulled (that is, taken out and returned to the agency or branch house selling same), and the agent or salesman then only receives a prorate amount of his commission, the actual cash collected being the basis of his commission. The money that has been paid in on account of a register which is pulled is clear profit, barring any legal expense in connection with same, and the customer's open account or notes receivable account is closed out by a transfer to an account termed "Retained Payments." The branch houses and agents keep no accounts, all accounts and collections being attended to at the head office. Among others the following accounts are kept on the general books:

New Register Consigned Stock Account (always debit balance).

New Register Consignment Account (always credit balance, and offsetting balance of Consigned Stock Account).

Second-hand Consigned Stock Account.

Second-hand Consignment Account.

New Register Sales Account.

Second-hand Register Sales Account.

New Register Commission Account.

Second-hand Register Commission Account.

Notes Receivable Ledger Account.

Customers' Ledger Account.

Second-hand Register Cost Account.

Agent and Salesman's Commission Ledger Account.

Retained Payments.

As a check upon the New Register Commission Account a rule is laid down that in all sales of new registers, whether a second-hand register be accepted in part payment or not, the New Register Commission Account must be charged with 30% of the list price of register sold.

Draw up journal entries for the following transactions:

a. Herbert Davison, a salesman in the Chicago branch, sells a new cash register to the Madison Restaurant Company, having a list price of $240.00. The restaurant company one month after delivery of the register pays cash of $60.00 and gives ten instalment notes of $18.00 each, the first one due one month after date, the second two months after date, and so on. After meeting the first five notes the Madison Restaurant Company becomes bankrupt, and the Universal Cash Register Company pulls the register. Show all of the entries necessitated by the above transactions, including commissions to salesman.

b. Thomas Smith, an agent for the company, sells a cash register to Herbert Findlay for $350.00 and takes in part payment a second-hand register at $50.00. After delivery of the new register to Herbert Findlay and the receipt at the factory of the second-hand register a settlement of the account is effected by a cash payment of $75.00 and the acceptance by the company of ten instalment notes of $22.50 each made by Herbert Findlay. The latter pays the first two notes, but fails to make any more payments on the other notes. The register is therefore pulled. Show all of the entries necessitated by the above transactions, including commission to Thomas Smith, the agent.

c. The second-hand register returned to the factory and referred to in the last question has repairs put upon it costing $25.00, and it is then shipped to the New York Branch and consigned to them at the actual cost to the Universal Cash Register Company up to that time. A salesman, Edgar Robinson, sells the register to Abner Johnson for $100.00, and the latter settles for same by paying cash down. Show all of the entries necessitated by the above transaction, including commission to Edgar Robinson, and also state what profit the company made on this register and how you arrive at same.

PART VII

MANUFACTURING ACCOUNTS

116. (From Massachusetts C. P. A. Examination, October, 1914.)

Jones Manufacturing Company, Trial Balance, December 31, 1913 (before closing).

	Dr.	Cr.
Accounts payable		$22,560.71
Accounts receivable	$42,739.66	
Capital stock		150,000.00
Cash in banks	3,706.82	
Commissions	7,750.71	
Depreciation	12,067.30	
Discount on sales	4,986.22	
Discount on purchases		6,792.40
Finished product (inventory at December 31, 1912)	110,630.84	
Freight inward	4,709.81	
Freight outward	3,542.39	
Factory expense	52,796.57	
Insurance	5,372.90	
Interest	3,850.00	
Labor	179,473.82	
Machinery and equipment	120,672.96	
Material purchased	158,691.26	
Material inventory (at December 31, 1912)	10,786.90	
Notes payable		60,000.00
Office and selling expenses	14,790.82	
Petty cash	150.00	
Prepaid taxes	672.80	
Prepaid interest	375.00	
Power	7,500.00	
Reserve for depreciation		20,978.23
Repairs	5,281.76	
Rent	15,000.00	
Salaries	32,250.00	
Sales		570,478.31
Supplies	6,872.90	
Surplus		42,146.08
Taxes	2,937.50	
Traveling expenses	4,836.24	
Unexpired insurance	6,821.16	
Work in process (inventory December 31, 1912)	53,689.39	
	$872,955.73	$872,955.73

Inventories at December 31, 1913, are:

Material	$9,877.44
Work in process	56,091.29
Finished product	71,170.10

From the above Trial Balance and facts prepare:

a. Balance Sheet December 31, 1913.
b. Statement showing cost of manufacture.
c. Profit and Loss account.
d. Closing Entries.

117. Anderson Manufacturing Company, Trial Balance, April 30, 1916.

Land and buildings (cost)	$68,000.00	
Machinery and equipment (cost)	36,800.00	
Office furniture and fixtures (cost)	12,300.00	
Sales room equipment (cost)	9,840.00	
Factory tools and supplies (on hand Dec. 31, 1915)	834.00	
Cash	2,960.00	
Accounts receivable	43,680.39	
Subscriptions to capital stock—common	8,000.00	
Securities owned (cost)	12,500.00	
Good will	10,000.00	
Patent rights	8,400.00	
Raw materials (on hand Dec. 31, 1915, $15,432.60; purchases, $46,380.40)	61,813.00	
Manufacturing (in process Dec. 31, 1915)	20,268.80	
Finished goods (on hand Dec. 31, 1915)	36,261.15	
Bond discount and expenses	9,000.00	
First mortgage bonds		70,000.00
Accounts payable		17,576.16
Capital stock—preferred (authorized issue, 1,000 shares, par $100 each)		70,000.00
Capital stock—common (authorized issue, 2,000 shares, par $100 each)		85,000.00
Surplus (undivided profits, Dec. 31, 1915)		13,869.20
Capital stock—common, subscribed		16,000.00
Sales of finished goods		85,239.41
Salesmen's salaries and expenses	8,269.40	
Delivery expenses	3,732.89	
Office clerks' salaries	5,321.76	
General office supplies used	1,869.30	
Taxes	486.00	
Insurance	1,240.00	
Direct labor	14,178.32	
Indirect labor	5,650.00	
Factory heat, light and power	2,730.46	
Reserve for depreciation of buildings		15,000.00
Reserve for depreciation of machinery and equipment		7,682.40
Reserve for depreciation of office equipment		2,800.00
Reserve for depreciation of sales room equipment		968.30
	$384,135.47	$384,135.47

Adjustments:

Cost of buildings, $45,000; estimated life, thirty years.

Estimated life of machinery and equipment, eight years.

Estimated life of office furniture and fixtures, ten years.

Estimated life of salesroom equipment, ten years.

Factory tools and supplies on hand April 30, 1916, $500.00.

The first mortgage bonds were issued January 1, 1916, and mature January 1, 1926. The bond discount and expenses are to be written off over that time.

The bonds bear interest at the rate of 6% per annum, payable January 1 and July 1.

Insurance prepaid, $620.00.

Raw materials on hand, April 30, 1916	$10,400.00
Goods in process, April 30, 1916	36,126.50
Finished goods on hand, April 30, 1916	28,740.80

REQUIRED:

a. Adjusting Entries.
b. Manufacturing Statement.
c. Profit and Loss Statement.
d. Balance Sheet.
e. Closing Entries.

118. The following items are taken from the trial balance of the Conant Manufacturing Company, as of June 30, 1916, after all adjustments are made:

Sales	$6,656.85
Finished goods inventory, June 1	300.00
Finished goods purchased	195.00
Freight outward	34.97
Rent of sales room	60.00
Manager's salary	135.00
Advertising	16.75
Salesmen's commissions	33.10
Office expense	108.15
Shipping cartons and labels	22.80
Indirect labor	72.33
Superintendence	100.00
Goods in process, June 1	1,200.31
Raw materials purchased	1,880.27
Raw materials inventory, June 1	5,672.18
Sales returns	119.80
Purchase returns (raw material)	27.65
Direct labor	548.68
Factory rent	100.00
Light, heat and power	86.00
Insurance on machinery	6.10
Repairs and renewals	32.15
Factory supplies	117.50
Sales discounts	39.01
Loss on bad debts	22.32
Purchase discounts	25.93
Interest on notes payable	15.00
Rent income (2nd floor of factory sub-let)	41.67
Depreciation of plant	96.50
Taxes on plant	36.00
Freight and cartage in	29.17
Salesmen's salaries	200.00

Following is the required work:

a. Statement showing cost of goods manufactured.
b. Profit and loss statement.
c. Closing entries only so far as they apply to the manufacturing accounts.

Take into account the following inventories as of June 30:

Raw materials	$3,984.83
Goods in process	1,468.15
Finished goods	330.86
Factory supplies	25.00

The period covered is one month.

119. (From Boston Examination for High School Commercial Teachers.)

From the trial balance of the Wonder Machine Shoe Company prepare a balance sheet and statement with sections showing manufacturing costs, trading results and profit and loss.

Reserve for the depreciation of machinery, 10%; of tools, 10%; of lasts and patterns, 20%. Reserve for loss from bad debts an amount that, when added to the reserve for that purpose already in force, will make the sum 1% of the book accounts.

Inventories, December 31, 1913.

Raw materials	$5,397.24
Factory supplies	820.20
Fuel	1,592.17
Goods in process	18,493.12
Finished goods	8,898.61
Interest accrued on notes held	37.00
Interest accrued on notes outstanding	55.00

Work done with a pencil, and ruling made free-hand will be accepted.

Trial balance, December 31, 1913.

Real estate	$81,035.00	
Machinery and equipment	57,750.00	
Tools	5,259.00	
Last and patterns	35,260.00	
Office equipment	3,396.00	
Raw materials, inventory January 1	14,378.40	
Goods in process	23,631.50	
Finished goods	15,686.31	
Accounts receivable	62,316.50	
Bills receivable	4,388.45	
Cash	22,902.63	
Good will	30,000.00	
Reserve for depreciation of lasts and patterns		$15,411.75
Reserve for bad debts		361.22
Accounts payable		18,580.70
Bills payable		6,500.00
Capital stock		200,000.00
Surplus		7,329.46
Mortgages payable		20,000.00
Sales		419,752.35
Discount on purchases		7,290.40
Factory supplies	8,817.62	
Raw material purchased	145,481.69	
Labor	110,371.84	
Freight inward	1,845.25	
Indirect labor	5,193.00	
Manufacturing expenses	14,280.30	
Selling expenses	25,792.65	
General expenses	16,123.75	
Interest	110.60	
Allowances to customers	552.25	
Discount on sales	8,818.75	
Collection and exchange	340.81	
Returned sales	1,493.58	
	$695,225.88	$695,225.88

120. (From New York City Examination for Teachers of Bookkeeping.)

A trial balance of the Brown Manufacturing Company on January 1, 1912, after closing the books was as follows:

Trial Balance, Brown Manufacturing Co., Jan. 1, 1912.

Capital stock authorized		$250,000.00
Unsubscribed stock	$20,000.00	
Surplus		3,000.00
Plant and machinery	178,000.00	
Furniture and fixtures	4,500.00	
Raw material, inventory, January 1	48,000.00	
Finished goods, inventory, January 1	5,000.00	
Fuel, light and oil, inventory, January 1	1,125.00	
Office supplies, factory, inventory, January 1	300.00	
Office supplies, selling office, January 1	275.00	
Notes receivable	20,000.00	
Accounts receivable	39,000.00	
Cash	5,500.00	
Notes payable		12,000.00
Accounts payable		29,500.00
Reserve for bad debts and notes		1,000.00
Reserve for plant and machinery		26,000.00
	$321,500.00	$321,500.00

During the six months following, the volume of business transacted was:

Purchases of raw material for cash	$2,000.00
Purchases of raw material on account	325,000.00
Notes issued to creditors on account	42,000.00
Sales of finished product for each	15,000.00
Sales of finished product on account	375,000.00
Notes received from customers on account	70,000.00
Goods returned from customers	2,650.00
Discount on sales	1,600.00
Raw material returned	5,875.00
Discount on purchases	1,900.00
Cash received from customers on account	294,000.00

(In addition to the above receipts, one customer who owed $1,400 paid 50% on the dollar, balance lost.)

Notes receivable discounted at bank, face	21,000.00
Discount on above notes	450.00
Notes receivable and interest paid at maturity:	
Face of notes	52,000.00
Interest	600.00
Notes payable and interest paid at maturity:	
Face	45,000.00
Interest	850.00
Cash paid to creditors	198,400.00
Other transactions were, cash payments as follows:	
Freight and cartage in	666.00
Freight and cartage out	400.00
Insurance on plant and machinery	1,200.00
Maintenance and repairs	6,200.00
Factory salaries	7,400.00
Direct labor	80,500.00
Indirect labor	5,000.00
Fuel, light and oil	2,275.00
General expense, factory	900.00
Selling expense	13,000.00
Advertising	2,000.00
Legal services	350.00

A regular quarterly dividend of 2% on the outstanding stock was declared and paid.

Construct a trial balance of totals as of June 30, 1912.

Prepare condensed current and adjusting entries, a manufacturing, trading and profit and loss statement and balance sheet from your trial balance in question, giving due consideration to the following facts:

Inventories, June 30, 1912.

Finished goods	$10,500.00
Raw material	25,000.00
Insurance unexpired	800.00
Direct labor unpaid	600.00
Fuel and oil	150.00
Furniture and fixtures, book value less 10%	
Interest accrued on notes receivable	47.00
Interest accrued on notes payable	38.00

Provide for 5% depreciation on plant and machinery, and 2% for reserve for bad debts and notes.

121. (From Virginia C. P. A. Examination.)

Charles Cabell, William West and Henry Hart form a partnership for the purpose of engaging in the manufacture of plug and smoking tobacco. Cabell invests $75,000, West, $50,000, and Hart, $25,000. Profits or losses are to be shared as follows: Cabell, one-half; West, one-third; Hart, one-sixth. Interest is not to be allowed on capital nor charged on drawings, but each partner's drawings in any one year are not to exceed one-tenth of his capital in the business.

At the end of their first fiscal year their ledger shows the following balances:

Charles Cabell, capital account		$75,000.00
William West, capital account		50,000.00
Henry Hart, capital account		25,000.00
Charles Cabell, withdrawal account	$5,842.17	
William West, withdrawal account	4,179.16	
Henry Hart, withdrawal account	2,033.88	
Land and buildings	25,000.00	
Machinery	11,026.92	
Furniture and fixtures	1,866.13	
Cash	8,730.45	
Accounts receivable	131,244.49	
Bills receivable	4,999.97	
Accounts payable		6,138.16
Bills payable		118,060.62
Sales—plug tobacco		249,472.43
Sales—smoking tobacco		61,882.25
Sales—stems		841.95
Leaf tobacco	200,044.57	
Licorice and flavoring	21,918.66	
Boxes	8,572.10	
Labor	25,182.47	
Stamps	48,476.24	
Power, light and heat	3,571.60	
Factory expense	7,380.55	
Hauling	1,451.30	
Salaries	12,443.71	
Office expense	4,228.87	
Insurance	1,682.90	
Interest and discount	9,164.47	
Postage	1,211.97	
Attorneys' fees	769.25	
Salesmen's salaries, commissions, etc	38,795.15	
Advertising	5,149.09	
Lost accounts	1,429.34	
	$586,395.41	$586,395.41

Ten per cent. is to be charged off from Machinery Account, to cover depreciation, and a Reserve equal to two per cent. of the Accounts and Bills Receivable is to be created, to cover possible undeveloped losses.

The unexpired insurance premiums amount to $331.11.

Inventories are as follows:

Finished goods	$38,189.42
Goods in process	11,209.36
Leaf tobacco	49,128.98
Licorice and flavoring	1,511.68
Boxes	1,073.04
Stems	43.31

Prepare statement showing cost of goods manufactured, Profit and Loss Statement and Balance Sheet, making necessary adjusting entries.

122. (From Massachusetts C. P. A. Examination.)

The following is a trial balance June 30, 1914, before closing of the ledger of a textile mill.

Land	$10,000.00	
Buildings	75,000.00	
Machinery	119,138.73	
Tenements	1,670.66	
Finished goods, inventory, Jan. 1, 1916	66,984.43	
Stock in process, inventory, Jan. 1, 1916	57,042.38	
Yarn	259,882.12	
Cash	12,769.19	
Petty cash	106.39	
Accounts receivable	46,085.68	
Mortgage receivable	875.00	
Labor	25,979.27	
Supplies	2,974.31	
Repairs	956.63	
Oils	50.84	
Coal	1,443.20	
Starch	1,390.00	
Water	122.65	
Finishing	15,381.54	
Brokerage	660.50	
Commission	4,580.67	
Discounts allowed	1,246.84	
Insurance	679.92	
Taxes	1,502.81	
General expense	389.39	
Freight and express	974.34	
Telephone and telegraph	68.72	
Traveling expense	274.85	
Interest paid	409.80	
Discount on notes payable	1,408.00	
Profit and loss	20,694.00	
Dividends	3,375.00	
Capital stock—preferred 6% cumulative		100,000.00
Capital stock—common		263,800.00
Accounts payable		40,864.56
Notes payable		187,500.00
Cloth sales		137,818.07
Waste sales		922.94
Tenement rents received		339.50
Discount taken		2,073.59
	$734,118.66	$734,118.66

Inventories and Items, June 30, 1916:

Finished goods	$104,190.24
Stock in process	71,242.39
Yarn	135,661.63
Coal	1,000.00
Starch	900.00
Supplies	1,150.00
Interest accrued on notes payable	389.41
Interest prepaid on notes payable	211.11
Wages accrued	2,051.05
Unexpired insurance	600.00
Prepaid taxes	402.26
Prepaid water rates	100.00
Bad debts	100.00
Estimated discounts to be taken on accounts payable	817.29
Estimated discounts to be allowed on accounts receivable	460.86

Depreciation rates per annum are 5% on machinery, 3% on tenements, 2% on mill buildings.

123. (From New York C. P. A. Examination.)

The directors of a manufacturing company submit the following trial balance to an accountant, requesting that he inform them as to what percentage of dividend they may safely declare out of the year's net income:

Trial Balance, December 31, 1916

Real estate	$94,000	Capital stock	$422,000
Plant and machinery	80,000	Sales	438,350
Patents and good will	160,000	Accounts payable	20,000
Inventory, Jan. 1, 1916	58,000	Notes payable	52,000
Purchases	165,000	Dividends on stocks owned	3,000
Labor	176,000	Rentals	4,000
Coal	12,000		
Salaries, general	22,000		
Salaries, management	10,000		
Insurance	1,750		
Repairs	2,000		
Claims and allowances	12,500		
Prepaid freight (incl. in invoice price)	3,000		
Interest and discount	1,500		
Cash	16,000		
Investments	31,000		
Miscellaneous expenses	8,600		
Accounts receivable	84,000		
Deficit, Jan. 1, 1916	2,000		
	$939,350		$939,350

Inventory December 31, 1916, $53,000. Four employees, A, B, C, and D, receive as additional salaries the following percentages of the earnings measured by the net income: A, 25%; B, 12½%; C, 6¼%, and D, 6¼%. Furnish the required information, together with a financial statement and an income account.

Depreciation for the period of six months ending December 31, 1915, was not put upon the books. No additions have been made to the fixed assets within a year.

Estimated discounts on the Accounts Receivable and Payable were not put upon the books January 1, 1916. These were, respectively, $400.00 and $750.00.

The last two semi-annual dividends on Preferred Stock are unpaid.

Prepare proper statement for a report to the directors as of December 31, 1916.

124. (From Michigan C. P. A. Examination, July, 1909.)

A company of bicycle manufacturers makes up its accounts December 31, 1907, for the year. The following are the debits to the profit and loss account:

Raw material on hand January 1, 1907	$12,500.00
Finished machines on hand January 1, 1907, 1,600 wheels at $30	48,000.00
Purchases of material	62,500.00
Labor, productive	82,500.00
Manufacturing expenses: Coal, repairs, paint, varnish, superintendents' salaries, unproductive labor and sundry other expenses	23,000.00
Agents' commissions	90,000.00
Branch expense: Rents, salaries and miscellaneous	40,000.00
Selling expense: Travelers' expenses and salaries, discounts, rebates and miscellaneous	30,000.00
Bad debts	8,000.00
Depreciation on machinery and plant	5,500.00

The sales for the year 1907 were 6,000 wheels, yielding $540,000; the raw material on December 31, 1907, taken at cost, were $4,000, and the finished wheels in stock ready for sale numbered 800. Prepare an account from the above showing:

a. Number of wheels manufactured.

b. The cost per wheel.

c. The gross manufacturing profit.

d. The final net result, including in the profit and loss account the stock of finished wheels on hand December 31, 1907, at their cost as shown by the accounts.

125. (From Massachusetts C. P. A. Examination.)

The main office of a manufacturing concern keeps the general books of the company and sells the finished product, which is billed to it by the factory at cost. The cost books of the factory show the following facts on January 1, 1914:

Cash Fund (imprest), $500.00; Raw Materials and Supplies, $15,910.32; Work in Process, made up of Material and Direct Labor, $55,816.25; Factory Expenses, $10,592.16; and Management Expenses, $6,200.83; Finished Product, $40,219.57. A portion of the payroll distributed but not yet paid, $3,553.42.

During the year 1914 the transactions were as follows: Purchases of raw materials, $91,113.20; Wages Paid, $143,273.49; Factory Expenses, Charged, $53,383.83; Management Expenses, Charged, $40,315.33; Sale of Power to another company occupying adjacent buildings, $100.00 per month.

The raw materials and supplies used amounted to $90,265.72; the management charges distributed to $40,315.33, and Factory Expenses distributed, $63,519.10. There are also on hand unpaid local bills which have not been entered on the books amounting to $135.27, all of which were for factory expense.

The finished product made during the year, figured at cost, amounted to $338,652.32, the amount of finished product transferred to the main office was $340,192.45.

At the close of the year December 31, 1914, there was unpaid and undistributed the factory payroll for four days amounting to $2,942.10, and also 550 hours of overtime, payable at the rate of time and one-quarter, the regular day rate being 35c per hour.

Write up all the ledger accounts on the factory books and show the final trial balance of December 31, 1914.

126. (From Ohio C. P. A. Examination.)

At the close of its fiscal year, December 31, 1915, the Trial Balance of The Nau-Pace Company was as follows:

Real estate	$225,000.00	
Fixed machinery	150,000.00	
Movable equipment	18,000.00	
Shaftings, pulleys, etc.	10,500.00	
Stable equipment	3,500.00	
Office equipment	2,915.90	
Drawings and patterns	9,000.00	
Patents	75,000.00	
Capital stock		$500,000.00
First mortgage bonds		100,000.00
Profit and loss		
Surplus		86,140.28
Dividends		300.00
Interest on bonds	5,000.00	
Other interest paid	1,323.10	
Interest received		2,469.50
Cash discount on purchase		13,389.52
Cash discounts on sales	2,861.50	
Sales		1,540,816.75
Return sales	8,258.25	
Cash	27,750.65	
Bills receivable	50,750.00	
Accounts receivable	298,650.25	
Raw materials	622,190.90	
Finished goods, Jan. 1, 1915	62,735.06	
Goods in process, Jan. 1, 1915	24,747.27	
Fuel	38,688.28	
Insurance	4,000.00	
Taxes	5,000.00	
Bills payable		40,000.00
Accounts payable		46,585.85
Reserve for depreciation:		
Machinery and equipment		50,000.00
Buildings		30,000.00
Patents		22,058.80
Bad accounts		6,240.75
Salaries, offices and clerks (general)	56,150.00	
General office supplies	2,950.75	
Postage, telegraph and telephone	1,560.00	
Miscellaneous general expenses	850.00	
Advertising	35,000.00	
Salaries and expenses, salesmen	72,350.31	
Agents' commissions	30,141.40	
Credit department salaries	7,560.00	
Miscellaneous expenses, selling	610.00	
Stable expenses	3,963.46	
Direct labor (mfg.)	508,311.39	
Indirect labor (mfg.)	44,981.01	
Superintendence, factory	6,000.00	
Factory supplies	8,547.18	

Repairs machinery and equipment	7,418.52	
Repairs of buildings	2,860.47	
Power, heat and light	2,875.80	
	$2,438,001.45	$2,438,001.45

You are to take into consideration the following facts:

1. Real Estate, Machinery and other Factory equipment, and Patents are stated at cost.

2. Of the Real Estate $25,000 is for Land and $200,000 is for Buildings.

3. All Capital Stock authorized has been issued and is outstanding.

4. Allowances for depreciation are:

   Machinery and Factory Equipment, $15,000.
   Buildings, 3% on cost.
   Patents 1/17th of cost.

5. $15,000 is to be set aside as a reserve for bad accounts.

6. Ten per cent. of the book values of Stable Equipment and Office Equipment, and 1/6th of the book value of Drawings and Patterns are to be charged off.

7. Inventories at the close of the fiscal year were:

Raw materials	$63,580.40
Finished goods	58,864.56
Goods in process	27,024.52
Fuel	4,823.43
Factory supplies	1,525.00
Office supplies	500.00
Prepaid insurance	500.00

8. The accruals are:

Taxes	$7,000.00
Direct labor	12,618.75
Indirect labor	2,040.50
Interest on bonds	1,000.00
Advertising	4,718.50

9. The depreciation on Stable Equipment (see item 6) is to be charged to Stable Expenses, and one-third of the latter is apportioned to Manufacturing Expenses and two-thirds to Selling Expenses.

10. The cost of Fuel used is to be charged to Power, Heat and Light.

11. Maintenance of Real Estate is to be charged with cost of repairs to Buildings, depreciation on Buildings, 20% of Taxes for the year, and $1,000 for insurance. The total cost of such maintenance is to be shown as an item of manufacturing expense on the statement of Cost of Sales.

12. The portion of Insurance remaining after charging Maintenance of Real Estate is to be allocated to manufacturing expenses.

13. Thirty per cent. of the Taxes for the year is to be apportioned to manufacturing expenses and 50% is to be charged against income.

14. Of the salaries of Officers and Clerks, General, $3,600 should be apportioned to selling expenses.

15. Amongst the Bills Receivable is a note for $5,000, pertaining to a previous fiscal year, which is considered to be worthless. No provision was made for such loss.

PART VIII

MISCELLANEOUS PROBLEMS

Section I—Practical Accounting

127. (From Illinois C. P. A. Examination.)

In taking off a trial balance a bookkeeper finds that his debit footing exceeds the credit by $131.56, which amount he carries to a Suspense Account. Later he discovers that a purchase amounting to $417.50 had been debited to a creditor as $192.94; that $312.50 for depreciation of machinery had not been posted to Depreciation account; that $500 withdrawn by the proprietor had been charged to Wages account; that a discount allowed to a customer of $76.13 had been posted to the wrong side of Merchandise Discount account; and that the total of sales returned was footed $5 short. Give entries showing how you would remedy these errors, and starting with the original difference, prepare a supplementary schedule showing whether the books are now in balance.

128. (From Massachusetts C. P. A. Examination.)

Brown has a customers' ledger, a purchase ledger and a general ledger, the latter containing controlling accounts with the other two. When his bookkeeper submitted to him trial balances of the three he observed that White owed him $100, subject to a cash discount of 2½%, and an allowance for outward freight of $1.68, neither of which items has been entered in the books; and that he owed White $100, subject to a discount of 4%, which had not been entered. He directed the bookkeeper to adjust the accounts by a remittance of stamps. Draft entry or entries that will close the two personal accounts and maintain the reconcilement of the ledgers. Separate accounts are kept for Customers' Discount and Purchase Discount.

129. (From Massachusetts C. P. A. Examination.)

You are instructed to make an examination of a business for the purpose of preparing a statement of assets and liabilities as of December 31, 1913. The inventory was taken on January 10, 1914, and amounted at that time to $7,689.25. The sales billed between December 31 and January 10 amounted to $945, but you discover that $300 worth of these goods had been shipped, and therefore should have been billed before December 31. The goods received between December 31 and January 10 cost $678.25. The average gross profit of this concern is 25% above cost.

Calculate the inventory as of December 31.

130. (From Massachusetts C. P. A. Examination.)

The Auditing Committee of the Washington Savings Bank (Mass.) called upon a certified public accountant to prepare a statement as at the close of business on May 28, 1912, of the estimated net earnings of the six months ending May 31, 1912, applicable to a dividend on June 1, 1912.

The deposits amounted to $10,400,000, and the Guaranty Fund to $442,000. The Interest account showed a credit balance of $248,000, made up as follows:

Received from real estate loans	$124,000.00
Received from personal loans	12,000.00
Received from investments	108,000.00
Arrears, uncollected, credited to interest and simultaneously charged to profit and loss	4,000.00

The expenses were $13,600, and the State Tax (net), $11,440. The balance of the Profit and Loss account on November 30, 1911, was $96,000, of which $2,400 was undivided earnings of the six months ended that date. Subsequent charges to this account were:

Premiums on securities purchased	$880.00
Loss from book value of securities sold	664.00
Loss from book value of foreclosed property sold	1,000.00
The arrears of interest mentioned above	4,000.00

A dividend of $240 received in liquidation of bank stock previously written off had been credited to Profit and Loss.

The following are his estimates for the remaining days of the period:

Net increase in deposits	$48,000.00
Interest receipts	5,600.00
Expense	2,400.00

Assuming the correctness of the accountant's estimates, prepare such a statement, setting apart as a guaranty fund the minimum amount sanctioned by law.

131. (From New York C. P. A. Examination.)

A is a superintendent in the employ of X & Y, a firm of manufacturers, and has an interest in the profits. On September 8, 1914, X & Y indorse A's $3,500 note, due in six months with interest at 6%. X & Y charge the fee of 1% ($36.05) to A's account on the firm's books. A sells this note to a private note broker. On March 10, 1915, X & Y pay $3,607.50, inclusive of protest fees, to the holder of the note, which A had permitted to be dishonored. What entries are necessary on the books of X & Y to record the transaction?

132. (From Michigan C. P. A. Examination.)

A contractor proposes to build a bridge to Belle Isle and accept the city's 4% 20-year bonds to the amount of $2,000,000 in payment. He advocates as a means of retiring the bonds the establishment of a toll system on foot passengers and automobiles at the respective rates of 1 and 5 cents each. Assuming the ratio of foot passengers to automobiles to be ten to one, how many of each would be necessary to pay the interest annually and create a fund which placed at the same rate of interest would be sufficient to retire the bonds at maturity?

Note: $1 compounded at 4% for 20 years=2.19112314.

133. (From Kansas and Missouri C. P. A. Examination.)

When auditing the books of a company which are not in balance the following errors are discovered:

1. A check drawn for $110 is entered in the cash book as a collection of $100 and posted to the debit of the creditor's account as $110.

2. A customer's credit memo of $25 is included as a sale and posted to the credit of the customer's account as $20.

3. The debit side of the cash book is underfooted $100, and a check drawn for $100 in payment of a creditor's account is not entered in the cash book.

4. Discounts received of $250 are posted as discounts allowed.

5. Capital stock to the par value of $5,000 was issued and charged to the president. $2,500 of this stock was sold by him at par and the proceeds credited to the Capital Stock account. The balance of the issue, $2,500, was later canceled, the Capital Stock account charged and the president's account credited with that amount.

To correct the foregoing errors prepare journal entries for accounts in the general ledger and subsidiary ledgers which are controled by accounts in the general ledger.

134. (From Michigan C. P. A. Examination.)

A man has saved $10,000, which is invested at 6%. He is working for a concern at a salary of $100 a month. He decides to go into business for himself. He invests his capital, forfeiting his interest. He devotes his time to the business, forfeiting his salary. At the end of the year his statement shows a profit of $2,000. Can the business be said to have made $2,000, or did it in reality only make $200? Discuss fully the accounting and economic principles involved.

Suppose instead of money loaned his capital had been in the form of a store rented for $100 a month and he canceled the lease and used it himself, borrowing what money was needed for working capital from the bank and paying interest for same. Would that alter the question of profit?

135. (From New York C. P. A. Examination.)

Wm. Wirt was engaged at the salary of $50 per month to take charge of a branch store for Bob White. The assets and liabilities at the branch store Jan. 1, the day that Wm. Wirt took charge, were as follows:

Cash, $300; notes payable, $300; accounts payable, $600; notes receivable, $200; merchandise on hand, $3,500; accounts receivable, $160.

At the end of the year Wirt is offered one-half interest in the branch store for one-half net capital of same, as shown by the books, which record the following:

Insurance paid, $150; expenses paid, $400; sales, $6,000; inventory, $3,000; rent accrued, but not paid, $500; merchandise purchased, $3,500; salary paid to Wirt, $500; notes receivable, $325; accounts receivable, $500. There are also outstanding notes payable, $290; interest of $30 has been paid, and White has withdrawn during the year, $400. Consider the value of unexpired insurance at $50.

Make up a cash account, profit and loss account and balance sheet. Show White's net capital to be paid by Wirt to entitle him to a one-half interest.

136. (From New York C. P. A. Examination.)

A firm manufacturing but one grade of cloaks, insured against burglary, claims to have been robbed on the night of September 10.

The proof of the loss filed by the assured contained two items for 600 cloaks, $12,000; silk, 1,000 yards, $1,500.

An inventory of the stock on hand, consisting of cloaks, cloth and silk, had been taken January 1, amounting to $118,500, the particulars of which have been lost or destroyed.

An analysis of the firm's books produced the following information:

Purchase of cloth, 37,500 yards at $1.00.

Purchases of silk, 10,000 yards at $2.00.

6,000 cloaks were manufactured, consuming cloth, 40,000 yards at $1.00; silk, 10,000 yards at $2.00.

9,000 cloaks were sold between Jan. 1 and Sept. 10.

Cost of sales, per cloak, for material....................................	$10.00
Cost of sales, per cloak, for labor and sundries.........................	7.00
	$17.00

Inventory, September 11—2,500 cloaks at $17.00; 12,500 yards cloth at $1.00; 5,000 yards silk at $2.00.

Prepare a report proving or disproving the claim.

137. (From New York C. P. A. Examination.)

The office of a firm of traders doing business in San Francisco was destroyed by an earthquake. The books of account, which had been fully posted, were badly damaged. The following ledger accounts were found to be legible:

Purchases, net, $69,000; Discounts Lost, $640; Discounts Gained, $3,450; Sales, $54,000; Bills Receivable, $33,000. Inquiry at the bank disclosed a balance on deposit, $129,000. Bills receivable amounting to $45,000 had been discounted at the bank. An audit of the checks paid by bank showed that $99,000 had been paid creditors (including $60,000 notes payable). A balance sheet prepared at the last closing of the books was produced, containing the following items:

Cash, $60,000; accounts receivable, $126,000; loans receivable, $24,000; real estate, $90,000; notes receivable, $78,000; capital, $318,000; notes payable, $60,000.

Prepare a trial balance supplying the missing accounts.

138. (From Boston High School Examination for Commercial Teachers.)

A British company submitted a comparative balance sheet to its American stockholders, the amounts having been changed to United States monetary terms.

FRAWLEY FLANNEL COMPANY, Ltd.

General Balance Sheet, January 1, 1915

Liabilities	1913	1914	1915
Common share capital	$540,000.00	$540,000.00	$1,080,000.00
Preference share capital	......	......	300,000.00
Debentures	405,000.00	405,000.00	720,000.00
Bills payable	......	......	135,000.00
Sundry creditors	18,476.00	22,054.00	55,746.00
Debenture reserve	135,000.00	157,500.00	180,000.00
Depreciation reserve	90,000.00	157,500.00	157,500.00
Profit and loss	721,895.00	788,638.00	259,753.00
	$1,910,371.00	$2,070,692.00	$2,887,999.00

Assets	1913	1914	1915
Freehold premises	$412,938.00	$426,198.00	$419,953.00
Machinery and fittings account	555,007.00	580,021.00	653,757.00
Late construction	......	......	580,766.00
Stock	354,213.00	571,251.00	602,957.00
Deposit account and receivables	588,213.00	493,222.00	630,566.00
	$1,910,371.00	$2,070,692.00	$2,887,999.00

a. After scrutinizing the balance sheet, give a brief history of the business for the years 1914 and 1915, and account for the property changes.

b. No cash dividend was paid in 1915, but a common share dividend was made for the amount of the increase. What were the profits of the year?

139. (From Illinois C. P. A. Examination.)

The balance sheets of the Greenleaf Manufacturing Company, at December 31, 1913, and December 31, 1914, may be summarized as follows:

	Dec. 31, 1913	Dec. 31, 1914
Good will	$200,000.00	$230,000.00
Land and buildings	450,000.00	750,000.00
Machinery	200,000.00	400,000.00
Tools	40,000.00	80,000.00
Unexpired insurance	3,000.00	4,000.00
Inventories	400,000.00	375,000.00
Accounts receivable	175,000.00	250,000.00
Cash	25,000.00	20,000.00
Investment in stocks and bonds	95,000.00	....
	$1,588,000.00	$2,109,000.00
Capital stock	$800,000.00	$1,100,000.00
Bonds	350,000.00	500,000.00
Bank and other loans	70,000.00	80,000.00
Accounts payable	145,000.00	125,000.00
Accrued interest	7,000.00	11,000.00
Accrued taxes	4,000.00	6,000.00
Surplus	212,000.00	287,000.00
	$1,588,000.00	$2,109,000.00

During the year a dividend of 4% was declared and paid on the stock outstanding at the beginning of the year. $7,000.00 was provided for the depreciation of the buildings, $16,000.00 for machinery, and $4,000.00 for tools. The bonds were sold for par, and the stock was sold at 90 and the difference was charged to goodwill account.

In the light of the above facts interpret the changes that have taken place in the financial position of the company between the two dates and, so far as possible, indicate how they were effected.

140. (From Maine C. P. A. Examination.)

The Stafford Moving Picture Machine Company, leasing moving picture machines for theatres, has 1,000 machines in operation. On January 1, 1915, the company decides to increase the number of its machines 80%, and places an order with the manufacturers of the machines, who agree to complete and deliver the new machines in equal quarterly instalments. The company arranges to borrow $60,000.00 by the sale of five-year 6% notes, it being agreed that a sum equal to 20% of the total issue shall be set aside annually out of the profits of the company for the redemption of such notes.

The average annual cost for maintenance was found to be $120 per machine, and $24,880 was estimated for other expenses. What annual charge per machine would the company have to make in order to meet its obligations and pay a dividend of 10% on $200,000 of its capital stock?

141. (From Maine C. P. A. Examination.)

Holman & Co. sold to Fagan & Lovejoy a bill of goods for $1,000—terms 2% 10 days, net 30 days.

Fagan & Lovejoy did not take advantage of the cash discount, but, when the invoice was due, offered in settlement cash $333.34 and two notes for $333.33 each, one at 60 days and one at 90 days, payable at their bank, the Fidelity Trust Co.

Holman & Co. accepted this settlement, and carried the notes for 30 days. They then discounted them at their bank, the Portland National, at 5%.

Fagan & Lovejoy paid the 60 days' note when it matured. Three days before the 90 days' note was due, Holman & Co. received from Fagan & Lovejoy, a 30 days' note for $200 payable at Fagan & Lovejoy's bank, the Fidelity Trust Co., together with a check for the balance of the 90 day note, plus the discount on the new note at 6%, with a request that Holman & Co. take care of the 90 days' note, which they agreed to do.

Holman & Co. discounted the new note at 5% at their bank, the Portland National, when they took up the 90 day note.

The $200 note is paid by Fagan & Lovejoy at maturity.

Journalize the above transactions for Holman & Co.

142. (From Massachusetts C. P. A. Examination.)

In March, 1912, John Doe bought a dismantled plant, paying therefor $20,000, equipped it with machinery, and engaged in manufacturing.

He decided to incorporate his business. On January 1, 1913, he called in an accountant, who found a single entry ledger, with the following accounts, written up to the close of business on December 31, 1912:

	Dr.
Real estate	$20,000.00
Machinery	35,210.00
Returns	83.00
Allowances	184.16
Sales discounts, (2% on billings)	587.20
Freight	814.00
Merchandise	21,288.10
Labor	4,614.75
Interest	852.50
Insurance, (1 year to April 1, 1913)	750.00
Accounts receivable (customers), gross	20,515.80
Building improvements	2,315.74
Expense	261.18

Cr.

Mortgage	$18,000.00
Notes payable	25,000.00
Accounts payable	18,752.40
Sales	29,360.00

The accountant found additional liabilities for unpaid pay roll, $462.18, and current bills, $287.19. Reconcilement of the bank account revealed $1,163.40 cash on hand on January 1, 1913. Inventory at this date consisted of raw material, net, $7,684.23; stock in process, $2,418.32; finished goods, $4,684.11. Interest on mortgage is at 6%, paid to September 1, 1912. Notes payable are on demand, with interest at 5%, paid to October 1, 1912.

a. Write the proper entries for recording on the books of the corporation the acquirement of this business, limiting the issue of capital stock to multiples of $1,000.

b. State how much cash was received from customers prior to January 1, 1913.

143. (From the Massachusetts C. P. A. Examination.)

The net profit of a business May 1, 1914, $8,905.82; Inventory, December, 1911, $3,137.24; Purchases, $110,831.64; Sales, $163,376.08; Factory Labor, $38,999.16; Factory Expenses, $6,403.94; Repairs, $32.00; Telephone, $832.12; Insurance, $392.46; Advertising, $28.00; Commissions Paid, $1,922.02; Interest Paid, $626.00; Legal Expenses, $35.00; drawn out by proprietor, $3,196.00.

From the foregoing information ascertain Merchandise Inventory on May 1, 1914.

144. (From the New York C. P. A. Examination.)

A fire in a manufacturing concern resulted in a loss on machinery, $5,000; merchandise, $10,000; office equipment, $3,000; which amount of $18,000 was agreed on and paid by the insurance companies. Give the entries necessary to record properly the above transactions on the books of the concern.

Section 2—Theory of Accounts

145. (Illinois C. P. A. Examination.)

Assuming an automobile manufacturing company made a contract for rubber tires at $35 each with the understanding that it was to receive a rebate of $5 a tire if the purchases exceeded 40,000 tires, and that at the end of the season when the accounts were made up, say on July 31, it was found that 45,000 tires had been purchased and a claim for the rebates was thereupon made and a check in settlement was received on August 31 following. On July 31 there were 15,000 tires on hand. At what price should they be valued for inventory purposes and how should the rebate be dealt with in the accounts for the year ending July 31?

146. (Colorado C. P. A. Examination.)

Define or explain:

a. Appreciation,
b. Depreciation,
c. Internal check,
d. Deferred assets,
e. Deficiency account,
f. Secret or hidden reserve,
g. By-product,
h. Imprest cash.

147. (Michigan C. P. A. Examination.)

a. A has $5,000 invested in a business. He sells B a half interest for $3,000 and keeps the money. Make the entry.

b. A has $5,000 invested in a business. He sells B a half interest for $3,000 and places the money in the business. Make the entry.

148. (Ohio C. P. A. Examination.)

a. Explain and illustrate the difference between capital expenditures and revenue expenditures

b. What is the effect of charging revenue expenditures to capital accounts.

149. (Massachusetts C. P. A. Examination.)

A company packs a coupon in each box of goods sold. The company agrees to redeem 100 coupons with premiums costing $1 apiece. 25% of the coupons are never presented for redemption.

Prepare sample journal entries for the bookkeeper to follow which will give the last of each month the expense for the month of the coupons given out, the amount of premiums on hand, and the gross and net liability for outstanding coupons, and state briefly how these entries will produce the result wanted.

150. (Pennsylvania C. P. A. Examination.)

A large manufacturing concern purchases most of its machinery on the instalment plan, in monthly payments, a bill of sale not being given until the machinery is paid for in full. There is also a royalty paid on the output of some of the machines bought on the instalment plan. At the close of the year there are several machines not yet paid in full. How would you treat the machinery, the instalments paid and the royalty in your statements?

151. (New York C. P. A. Examination.)

A fire in a manufacturing concern resulted in a loss on machinery, $5,000; raw material, $10,000; finishing goods, $25,000; which amount of $40,000 was agreed on and paid by the companies. Give the entries necessary to record properly the above transactions on the books of the concern.

152. (New York C. P. A. Examination.)

At date of closing two contracts are in hand and uncompleted; one for $1,200, estimated to cost $900 is three-quarters finished and is already charged to customer at $1,200; the other for $2,000, estimated to cost $1,500 is half-finished, and no entry has been made therefor. Suggest entries necessary to adjust these accounts so that anticipation of profits will not occur.

153. At the time of taking inventories and closing its accounts, preparatory to ascertaining its financial condition, a corporation has obligations under contracts to pay for raw materials to arrive, on which no payments have been made. At the time of closing the accounts, the prices of the contracts are in excess of the market prices for deliveries corresponding with the contracts. State: (a) how this condition should be reported in the accounts and statement of financial condition, and (b) your reasons.

154. (From Examination for Admittance to the American Institute of Accountants.)

Explain the relationship between a sinking fund and an allowance for depreciation. It is claimed that in municipal enterprises the requirement that rates must be high enough to provide both for a sinking fund to pay off the bonds and also for a "Reserve for Depreciation" with which to replace the plant results in a double charge to consumers. Criticize or explain this theory.

155. Do you approve of a business concern keeping more than one ledger? If so, why, and how would the different ledgers be characterized? What advantages do you see in loose leaf ledgers and in what kinds of business would they be most useful? Under what circumstances would you advise the use of card ledgers?

156. (Wisconsin C. P. A. Examination.)

The partnership, Black and White, has insured the life of Black for $50,000, the policy being payable to the firm. The annual premium is $989.60. The cash surrender value of the policy at the end of the third year is $2,150.62; fourth year, $3,012.20; fifth year, $3,867.25.

At the end of the fifth year Black dies and the policy is paid to the firm in full.

Show by journal entries how the transactions pertaining to the above would be recorded.

157. (Wisconsin C. P. A. Examination.)

The Good Music Company sells pianos on the instalment basis. On January 2, 1914, Jones purchased a piano from the company for $375 to be paid for as follows: $25 down and the balance in quarterly instalments of $50 each, bill of sale to be given on date of final payment. The piano cost the company $125. The four instalments for 1914 were duly received, the last one having been paid on December 31.

a. Set up proper ledger accounts covering this sale and the payments thereon.

b. Give the journal entry at the close of the year by which the year will be credited with its proper proportion of the credit on this transaction.

c. Sketch the ruling of a book or books which might be used to facilitate the handling of instalment sales and collections.

158. (Michigan C. P. A. Examination.)

A manufacturing company purchased a large stock of material during the year at low prices but at time of annual inventory values had materially increased. How in your opinion should inventory and loss and gain be stated on the books?

159. (New York C. P. A. Examination.)

Prepare a ruling for a sales book to provide (1) total monthly postings to three goods accounts, (2) the separation of cash sales from charge sales, (3) supplementary distribution of sales among four salesmen's columns, (4) prepare pro forma journal entry for the monthly closing and posting of such a book.

160. (Maryland C. P. A. Examination.)

In case of total loss of merchandise by fire, the books being saved, how would you prepare a claim to submit to the insurance company covering the loss?

161. (Illinois C. P. A. Examination.)

A manufacturer finds that during three months his goods have cost 80% on the selling price:

Raw material	30%
Wages	20
Rent	05
Fuel	10
General expenses	15
	80

What should he add to his selling price to obtain the same profit if the following advances take place?

Coal	50%
Material	05
Wages	02½

162. (Massachusetts C. P. A. Examination.)

A manufacturer renders the following statement for credit purposes:

Assets		Liabilities	
Residence	$30,000	Mortgage, residence	$12,000
Plant	140,000	Mortgage, plant	60,000
Inventory	90,400	Notes payable	25,000
Accts. receivable	3,500	Accts. payable	19,650
Cash	625	Surplus	147,875
	$264,525		$264,525

From this statement, what inferences would you draw as to the condition of his business?

163. (Massachusetts C. P. A. Examination.)

A missionary society is the recipient of small voluntary contributions. Many of these come through the mail in the shape of bills, coin, and postage stamps. What steps would you suggest to safeguard such funds from peculation by the clerks handling them and the accompanying letters?

164. (Massachusetts C. P. A. Examination.)

In the trial balance of a corporation, December 31, 1910—the end of a fiscal term—there is a debit of $50,000 against John Doe, for a payment to him on account of material purchased from him. The material is to be delivered after said date. How should this be classified in the balance sheet, December 31, 1910?

165. (From Examination to Admittance to the American Institute of Accountants.)

a. How would you deal in the balance sheet of a corporation with shares recovered from a vendor to whom they had been issued as fully paid and who had returned them in settlement of a claim for fraudulent misrepresentation in respect of the property sold by him to the corporation?

b. How would you deal with these shares for the purposes of a dividend?

166. (From Examination for Admittance to the American Institute of Accountants.)

When a corporation undertakes its own construction work on what basis is it permissible for it to make charges to property account in respect thereof? On what basis would you personally recommend that the charges should be made?

Give your reasons.

167. (From Examination for Admittance to the American Institute of Accountants.)

A corporation was formed which acquired several plants, issuing therefore $17,000,000 bonds and $24,000,000 stock. It was well known at the time that this capitalization exceeded the true value of the assets (including goodwill) acquired, to an extent of $11,000,000. In the first year, after paying expenses and interest on bonds, the business yielded considerable net income. May such net income be used to pay dividends, or must it be first applied towards making up the $11,000,000?